# FINANCIALTIMES

**EUROPE'S BUSINESS NEWSPAPER** 

against the mainstream, Page 17

**Madrid swims** 

No. 29,875

Monday March 10 1986

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# **Fabius** takes hard may not line on kidnaps

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French Prime Minister Laurent
Fabius pledged that his government repayments on foreign loans used would stand firm in response to finance a \$2.1bn nuclear power "blackmail" by Islamic fundamentalists who kidnapped four French TV journalists at the weekend in

Beirut.

The sezure has placed growing pressure on the French Government and aburptly shifted the focus inwards of the election campaign towards the war-torn Lebanese capital. The kidnapping was claimed by the pro-Iranian Islamic Jihad, which has already captured four other French

France sent special envoys to Beirut and Damascus to seek a way out of the predicament. Earlier report,

#### Israeli convention

Israel's divided right-wing Herut party, the largest party in the Likud bloc, which is in coalition with the Labour Party, opened its first convention for seven years deeply di-vided by a bitter leadership quarrel.

#### Ugandan town held

The National Resistance Army, which seized power in Kampala in January, said it had captured the northern Ugandan town of Gulu, the main remaining outpost of former government troops. Page 3

#### Contra deal sought

The US Administration and Democrats in Congress are exploring a compromise over President Ronald Reagan's request for \$100m to help Contra rehels fighting to overthrow the left wing government in Nicatagua, Page 2

#### Four killed in SA

Torn men and two women, all black, were killed in the worst violence for ported since South Africa lifted its state of emergency on Friday. The disturbances affected townships in three of the country's four provinces. 

#### Colombian poli

Colombians voted to elect a new blanket set up to counter possible guerrilla attacks. Page 2

#### Palme hunt denial

Swedish police denied Turkish newspaper reports that Kurdish guerrillas were prime suspects in the search for Prime Minister Olof Palme's killer.

#### UK poverty trap

The number of people in the UK poverty trap - where income in-creases are largely negated by benefit cuts and tax - has grown five-fold since 1979, the Low Pay Unit of Japan. Page 4

#### 700m hungry

Hunger afflicts 700m people, one third of the developing world's population, despite ample food supplies, says a World Bank report.

#### Poppy growers shot More than 20 members walked out

ponce opened fire on optum financing or renegotiating more poppy growers in the north-west than half the total and by making five people died.

#### Soares olive branch

the minority Social Democrat Government. Prime Minister Anibal cision in the courts. Page 6
Cavaco Silva backed the losing Conservative presidential candidate.

Hamburger city

#### Lebanon clash

An Israeli soldier and two guerrillas were killed in a clash in south

#### Tiger saved

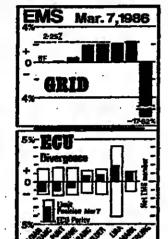
A Bengal tiger destined to be served as a gourmet dish at a banquet in Taipei, capital of Taiwan, slaughter of the animals.

# Manila repay \$2bn loan

Business summary

repayments on foreign loans used to finance a \$2.1bn nuclear power plant after allegations that an \$80m payment to ousted President Ferdinand Marcos was involved. Page 2

EUROPEAN Monetary System: Currencies showed very little change on the week despite a cut in the West German discount rate and an erratic dollar. The D-Mark traded in an 8 pfennig range against the dollar but finished around the same level as the week before. Weaker currencies such a



the Belgian franc remained close to their cross-rate intervention limits against the D-Mark but were still within their respective allowable movements from Ecu central rates. The Belgian central bank may have given small support during the week although any strong specula-tive pressure is unlikely to materialise before next week's elections in

The chart shows the two constraints The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the live) may move more than 2% per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency I in (ECII), thest a basic to five cy Unit (ECU), itself a basket of European currencies

MULTI-FIBRE ARRANGEMENT: Representatives of developing tex-tile-exporting countries released a communique in Peking that appeared to satisfy their diverse interests. Page 4

FOUR INTERNATIONAL trading companies are understood to have signed commercial agreements with the Pakistan Government to undertake \$400m in countertrade. The four companies are MG Services, the trading arm of the Metallgesellschaft and Louis Dreyfus groups of West Germany and France, Prudential Bache of the US; Sukden of France; and Mitsubishi

KRICSSON, the Swedish telecommunications and electronics group, has signed a letter of intent with Digital Equipment of the US, the world's second largest computer manufacturer, to form a joint ven-

ture to produce information sys-tems for banking. Page 19 TELEFÓNICA. Spain's semi-state telecommunciations anthority, announced a plan to reorganise its of Pakistan's parliament in protest \$1.3bn foreign debt this year by re-

VICKERS: Management of the UK Portugal's new Socialist President its share offer even though Trafal-Mario Soares said he would support the minority Social Democrat Coubuy Vickers, may challenge the de-cision in the courts. Page 6

A CENTURY and a half ago, William Cohbett's Rural Rides caught the spirit of the fast-changing economy of southern England. In Industry Year John Lloyd has retraced some of Cobbett's steps as well as travelling further afield to report on Britain's industrial landscape, His first industrial ride took him from Woolwich to Battersea, where the docks and manufacturing are givpears on Page 17

# LME faces lawsuits over decision to close tin market

THE LONDON Metal Exchange, tee have in effect spread the losses is braced for a spate of lawsuits from aggrieved brokers and others in the tin trade after its decision on Friday to close all tin contracts at a fixed price and shut the tin market permanently, writes Stefan Wagstyl in London.

The exchange's board and committee had to write a new rule into They point out that those who stood its rulebook to make the unprecedented order.

They acted because they feared that to let prices fall freely to per-haps £4,000 (\$5,830) a tonne, from the average on outstanding con-tracts of just under £9,000 a tonne, would have driven many traders, the LME board and committee of and possibly the whole exchange, exceeding its powers and of making into bankruptcy.

By setting a £6,250-a-tonne settlement price, which has to be paid by accept that they might face court Wednesday, the board and commit-

volved with the International Tin Council to the other 12 ring-dealing members and the exchange's

Many traders, including some with no tin council contracts, be-lieve the authorities took the best course in difficult circumstances. to make big profits from a price collapse might have been unable to claim them, since the counterparties to the deals might have been among those driven into bankruptcy. But some traders angrily accuse

up new rules after the event. The LME board and committee

the world's leading metals market, from the 13 traders directly in- from their solicitors, Linklaters and

There has already been a hint of what might happen. In January, Shearson Lehman Brothers, part of the American Express financial group and associate of LME member Shearson Lehman Metals, sent a solicitor's letter to the LME board asking it to declare that, while the suspension of tin trading applied to business between brokers, it should not apply to trades between brokers

The LME refused to make such a distinction. One broker said yester-day: "All bell will break loose now."

The tin crisis arose in October when the International Tin Council, which ran an inter-government price-support part on behalf of 22 nations, ran out of money. Attempts

to refinance the council broke down in acrimony last week, although the council is still trying to renew the rescue plans.

The world metals trade faces estimated losses of about £300m in the wake of the failure of negotiations between the council, brokers and banks. Brokers believe that while the

LME will survive the shock, one or two companies might face severe difficulties. If they do not go bank-rupt immediately, they might wind down voluntarily over the next few

The total losses are calculated on the basis of the £6,250-a tonne settlement price, which the London Metal Exchange fixed on Friday for the settlement of all outstanding contracts on the exchange, and on

Peat, Marwick, Mitchell audit of the they will lose some £70m. tin council's finances, suggest that 24 companies, mostly LME traders and their associates, will lose £180m on contracts struck directly with the ITC. However, fixing a settlement price on paper transactions still leaves some traders and others holding tin metal, which will be worth not £6,250 a tonne but the

free market price. Eight traders, including Shearson Lehman Brothers and West Germany's Metallgesellschaft group, which were involved in special deals with the ITC, are left with 27,000 tonnes of tin. If free market prices fall to £4,000, they face losses of some £50m on that metal.

An array of traders, metals and

the assumption that free market tin mining companies, holding metal

LME, will split the remaining loss The numbers, derived from a between them. At £4,000 a tonne,

> Thus, the metal trade's losses total just over £300m, most of it affecting LME companies and their associates. In addition, the banks thet lent money to the ITC face a loss of some £100m - the difference between their loans and the value of the 40,000 tonnes of tin they hold as collateral, priced at £4,000 a tonne. Unlike some of the brokers, the banks can probably afford to wait for a price improvement before

> they sell. With some 85,000 tonnes of metal overhanging the market in Europe, and more on its way from the Far East, they may have to wait some

Editorial comment, Page 16

# **EEC** heads for clash over farm spending

BY QUENTIN PEEL IN BRUSSELS

EUROPEAN Community finance • Coping with the increase in farm ministers will be urged today to set spending prompted by the cost of strict new limits on farm spending the falling dollar on agricultural ex-or face a budget crisis that threatens to exhaust Community income before the end of next year.

including the UK, the Netherlands and, usually, West Germany - Managing the extra burden of and those such as Italy, Ireland and Spain and Portugal in the budget. Greece, which are determined to

first budgetary debates of the year Spain and Portugal. smid predictions of the rising burden of EEC spending programmes and severely limited resources.
Official figures submitted by the
European Commission suggest that
the Community will just be able to

live within its means this year and Rising farm spending means next thanks to the increase in member states' contributions from last able for non-agricultural policies January 1. such as research and development o-tax cemng,

each member state. Unofficial calculations, however, suggest that EEC revenues might be exhausted next year if they are he found in the farm budget and to not already pushed to the limit by a insist on the need for that sector to

end of this year. Three key issues have to be re-

to sell off surplus stocks. Paying for an accumulation of A clash is expected between the debt commitments on social and reproponents of budgetary discipline gional spending amounting to anything up to Ecu 1hn (\$960m).

The Commission estimate for protect EEC farm spending from 1987 – drawn up to belp the finance the full effects of the fall in the dolministers to set their overall budget lar and the cost of selling surplus food stocks.

Both the councils of finance and for the 10 original member states foreign ministers – the two top poli-cymaking bodies – are to hold their It suggests an extra Ecu 1.35bn for

> Those figures do not take into account the inevitable supplementary budget this year, which might have to include as much as Ecu 15bn because of the cost of the falling

The contribution is the so-called and social and regional spending on the amount calculated from that cially, the finance ministers should percentage of retail sales of a common basket of goods and services in those areas at an overall 7.7 per

cent. The UK in particular is certain to supplementary budget before the finance its own increased costs both from the dollar's decline and from the destocking programme. Report on Malia, Page 3

#### **Court tells** Lac to give up Hemlo gold mine

THE ONTARIO Supreme Court has ordered a Canadian mining compa ny to hand over one of the country newest and richest gold mines to a

After a five-month trial in Toron to, the court upheld a claim by In-ternational Corona that Lac Minerals of Toronto improperly acquired mining rights to a 400-acre property in the Hemlo area of western On tario five years ago from the elderly widow of an American prospector with whom Corona was also negotiating for the purchase of the

property.

The mine built on the property. one of three in the Hemlo area, was commissioned last year with an annual production capacity of almost 0.2m ounces of gold and reserves estimated at 8.3m ounces. Corona is already a partner in one of the other Hemlo ventures.

Eac, which was relying on the Hemlo mine to make it Canada's biggest gold producer, indicated over the weekend that it will appeal against the ruling. Lac operates three other gold mines in Ontario and Quebec, but the loss of the Hemlo property is expected to be a devastating blow to the company.

Mr Justice Holland ordered Lac to surrender the Hemlo mine and mill to Corona as well as all profits earned from the operation plus interest. He said the damages award was worth C\$700m (U\$\$495m) compared with Corona's original claim of C\$3bn. Corona will have to reimburse Lac for C\$154m in development costs. The dispute between Lac and

Corona dates back to the beady Continued on Page 18

# Pressure mounts for Land Rover buy-out scheme

BY JOHN HUNT IN LONDON

THERE ARE signs of mounting pressure within the UK Cabinet for Land Rover, the subsidiary of stateowned BL, to be sold to its present management rather than disposed of, together with Leyland Trucks, to General Motors of the US.

Reports of a Cabinet "revolt," with Mr Nigel Lawson, Chancellor of the Exchequer, opposing the GM solution and pressing for a management buy-out, were denied last However, there was no denial of a

suggestion that Mr Lawson told a special seven-man Cabinet meeting that he would be prepared to see Land Rover sold to its management even if the price was much lower than GM offered. Mr Lawson has been an advocate

day's announcement of such a solution for the state-owned Vickers warship yards shows that there is still strong support for the method. The attitude at Downing Street yesterday was that no decision had been taken and that all options

were still open. A decision is expect-ed before Easter. The major problem facing the covernment is that whereas Land Rover has attracted four bids - the other two being from Lonrho and Aveling Barford – GM is the only bidder for Leyland Trucks. Leyland Trucks has made heavy

losses and cannot be expected to break even until next year at the earliest. GM at the weekend insisted that it was only interested in a complete package - Leyland Trucks plus Land Rover.

Tory MPs opposed to the GM hid 23 countries.

believe that Mr Lawson and ministers such as Lord Whitelaw, Mrs. Thatcher's deputy, and Mr Peter Walker, Energy Secretary, are now pressing for a management buy-

Mr Anthony Beaumont-Dark, a Conservative MP whose constituency includes Land Rover, sald yesterday there were strong reports at Westminster that Mr Lawson favoured this in an attempt to strengthen his support for wider share ownership.

There were signs yesterday that Mr Norman Tebbit, Conservative Party chairman, who has backed the GM bld, was softening his

"My ideal would be that a British option would arise that was the best option for the company," Mr Tebbit, a former Trade and Industry Secreof management takeovers and Fritary, said on television. At the same time, he thought it

would be "crazy" to take a British option which was had for the com-pany, rather than an American one which was better. He said he was aware of the possibility of a massive backlash of

public opinion if Land Rover went to the Americans. He accused Mr Edward Heath, the former Conservative Prime Minister, of wildly inaccurate state-

ments in his compaign against the

David Thomas writes: Opposition to the sale of Leyland Trucks to GM was expressed by a conference in are known to be concerned about Liverpool yesterday of 100 workers the threat to their husiness from derepresentatives from GM plants in velopments in London.

## **US** broking system to be offered in Europe

By Alan Cane

A COMPUTER-BASED securities trading system thet eliminates the need for a physical market floor and enables dealers to make bargains automatically and electronically is to be offered to Europe's stock exchanges and larger stock-

broking houses.

The system, the National Securities Trading System (NSTS), is the most advanced electronic stock exchange in the world. It was developed for the Cincinnati Stock Exchange, Ohio, where it has been "live" since January 1985, Cincinnati is the smallest exchange in the US but the fastest growing. Its growth has been attributed to its use of NSTS.

The chief significance of NSTS in Europe is that it will offer ex-changes and trading houses that have been slow to develop their own advanced automated market systems a chance to leapfrog into the electronic age with a proven system and without the high costs and risks of writing their own system. The Cincinnati exchange has

agreed with Software Sciences, a ading UK computer software com pany that is part of the Thorn EMI group, to explore the possibilities of marketing NSTS in Europe. Mr Richard Niehoff, president of

the Cincinnati exchange, said be was unwilling to market the system in the US because it would take away his competitive advantage. He thought that European exchanges using NSTS would prove

complementary to Cincinnati The older European exchanges

Details, Page 18

# US defends decision to oust Soviet 'spies'

BY NANCY DUNNE IN WASHINGTON

THE US Administration yesterday are afraid to have one, or don't want defended its decision to order a large cut in staff at the Soviet mission to the United Nations in New York and expressed the hope that it would not sabotage a Reagan-Gornbachev summit later this

Mr Caspar Weinberger, the US Secretary of Defence, said thet many of the 275 people in the Soviet mission were spies. "It is not an un-friendly act to get rid of some spies, I think it is a perfectly reasonable act," he said.

The Soviet reaction to the order for a staff reduction to 170 diplomats over the next two years was predictably angry. The Tass news agency accused the US of exploiting the fact that the UN is in New York to try to force changes in UN policy through "raw pressure and black-mail."

The State Department insisted that the size of the Soviet mission was not connected with bilateral relations. There is no reason why

it will be simply because the Soviets in Moscow.

one," he said. When President Reagan and Soviet leader Mr Michail Gorbachev met last year in Geneva they agreed to hold two more summits, one in the US this year and one in Moscow in 1987. However, there is companies. already disagreement over the tim-

Moscow opting for September.
The US Administration has been under considerable pressure from Congress to force a reduction in the size of the Soviet mission, which, the Defence Secretary said, has size of the Soviet mission, which, the Defence Secretary said, has

duced in Congress to cut the num-US officials say that about a quar-

twice as many people as virtually any other country.

Another statement from officials said the Administration had to act because of the difficulty in keeping track of potential spies. As a result of a recent wave of spy cases in the US, several bills have been intro-

this action should affect the prospects for the next summit. Mr
Charles Redman, a spokesman, Mr Weinberger said it was "perfectsaid.

Charles Redman, a spokesman, Mr Weinberger said it was "perfectsaid. ly absurd to allow organised espio-Mr Weinberger was even more nage on this scale, and he warned forceful in a television interview that the US would also dismiss Sohas been saved by a rich busing way to offices, services, bistros and hamburger bars. His report appropriate that the US would also dismiss Songer the use and hamburger bars. His report appropriate that the US would also dismiss Songer than the use of t

#### Three groups in bid for UK snack company

By Charles Batchelor in London

IMPERIAL GROUP, the British tobacco, brewing and food concern, is negotiating the sale of its Golden Wonder crisps business with a shortlist of three companies, the rival British food and drinks group, Allied-Lyons, and two unnamed US

Imperial is seeking a buyer for its crisp operations to overcome objections from the British Office of Fair Trading (OFT) that Imperial's proposed £2.4bn (\$3.46bn) merger with United Biscuits would give the coming of this year's meeting, with Washington favouring June and

cent of the £600m UK snacks

The two companies want to merge to save Imperial from a hostile takeover bid - also worth about 62.4m - from Hanson Trust, the industrial conglomerate beaded by Lord Hanson. Imperial hopes to reber of Soviet employees to equal the number of personnel in Moscow.

IIS officials say that about a quartilating that it might have expected had the

It believes the OFT will be satisfied with an agreement in principle,

Continued on Page 18

The Peterborough Effect

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# Own land in the great American West

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#### **OVERSEAS NEWS**

# Manila may halt N-plant payments

THE PHILIPPINES may suspaign that it never would, on prove difficult to document pend repayments on foreign safety and environmental because the plant has already pend repayments on foreign loans used to finance the most expensive project built under former president Ferdinand Marcos—the country's only nuclear power plant—while the Government takes legal action

Mr Telfisto Guingona, newly-appointed chairman of the Commission on Audit, said yester-day that the \$2.1bn (£1.5bn) contract between Westinghouse of the US and the National of the US and the National Power Corporation (NIC) to build the Bataan plant was grossly defective. It has also ben alleged in the US that a payment of \$80m was made to Mr Marcos in connection with the contract.

The plant has a long and con-troversial history. Built in the late 1970s, it bas never operated and President Corazo Aquino

safety and environmental grounds.

Foreign loans acquired to finance the plant amounted to \$1.5bn. Major lenders included the US Export Import Bank and a syndicate of banks led by Citicorp of the US which is also one of the biggest private lenders to the Philippines.

The Manila government has

said it wants to re-negotiate its \$26bn foreign debt and the way in which it handles its anti corruption drive will be closely watched by foreign companies. A senior government official confirmed yesterday that any contracts where illicit payments were suspected to have been made by foreign companies would be reviewed and "every-

under the law to recover the Tha Westinghouse case could

completed, the official said. "But there are other more ing pressure to label her adrecent contracts we can look ministration a "revolutionary into." It is not clear whether government." The Government into." It is not clear whether government." The Government pending contracts will be has no legal basis and it needs

there is a dispute between the NPC and Westinghouse, which would be natural for payments to be suspended." However, a final decision on suspension will be taken by President

Apart from worrying international bankers, such a sus-pension is likely to be opposed by more experienced m of Mrs Aquino's administration, who will argue that it could seriously affect international thing possible will be done confidence in the Philippines at

The debate betwen the ideolo-

a framework within which to carry out controversial reforms and consolidate its power by

Mrs Aquino has been reluctant to use the "revolutionary" label because it might damage confidence abroad. She has been advised against it by diplomats from Europe and the

Mr Salvador Laurel, the vice president, has suggested that parliament should be suspended and a new constitution drawn up within a 100 days. This would be put to a referendum and followed by local and

TWA steps up

TWA THE transatiantic airline, hit by a strike of 6,000 air bostesses, stepped up the propaganda war against the flight attendants' union yester-

day by claiming that it would

be back to normal operations by

the end of the week, Terry

hostess battle

# Contra aid compromise sought

Congressional Democrats exploring a compromise for \$100m (£68m) to help US-backed Contra rebels in

Nicaragua. Sen Christopher Dodd, a key member of tha Senate Foreign Relations committee said yesterday the Administrasaid yesterday the Administra-tion had come to realise that crats won't buy this programme . . it is too much money and

Under negotiation is an ting the military assistance they agreement to put military aid need to the resistence forces for the rebels in escrew for the sanother month for the Soviet months while the Adminis and Cuban-backed forces to kill

THE REAGAN Administration tration pursues peace talks with Democratic resistance fighters," be warned.

the Nicaraguan regime through Mr Philip Hablb, the Presi-The President was even more strident in his regular weekly radio address on Saturday. Central America.

Still at issue is whether a Congressional vote would be needed to release the aid if peace talks fail. Mr Elliott Abrams, Assistant can Congress ignore this storm gathering so close to our bome land?" Secretary of State for Inter-American Affairs said yesterday

second congressional would confirm " our hesitancy ' to Nicaraguan neighbours. "Every month's delay in getdiplomats and Honduran government officials, Reuter reports from Tegucigalpa.

"Nicaragua is a country beld captive by a cruel clique of deeply committed Communists at war with God and man. How

• Contra rebels have almost completely abandoned the battlefield and pose little threat to the leftist Sandinista Govern-ment, according to Western

Dodsworth reports from New York. The dispute, which followed the breakdown of talks on a wage-cutting plan for the hostesses, bas forced the com-pany sharply to reduce regular

The company's statement yes terday was accompanied by promises of 30 per cent fare reductions across the board

FINANCIAL TIMES Physician Problems of the Financial Times (Durope) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt Main, and, as members of the Buard of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.F.F. Palmer, London, Printer: Frankfurtty-Societies-Druckerei-CmbH, Frankfurt/Main, Responsibile edifor C.E.P. Smith. Responsible editor C.E.P. Smith, Frankfurt/Main. Gutollettstrasse 54, 6000 Frankfurt and Main 1, W The Financial Times Ltd. 1986. The Financial Times Ltd, 1986.
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# Colombia poll marked by tight security

guerrilla movement into the democratic arena are being tested in today's congressional with police and army units and local government elections, patrolling the capital. conservative, liberal and other ised severe penalties for any-party candidates, voters can one found trying to buy votes, also choose former guerrilla and has dismissed or suspended fighters to represent them, over 200 civil servants allegedly Accusations of Intimidation and armed propaganda have accom-panied the campaign run by the Patriotic Union, electoral arm over 50 per cent will come main contende of the Soviet-line Revolutionary down. However, residents in succeed him.

PRESIDENT Belisario Betan Armed Forces of Colombia

Voting began amid strict state-of-slege security measures, The Government has prom-

There are hopes that the abstention rate — traditionally

denounced threats by the M19 guerrilla group to take reprisals against those sporting the red-inked index finger that is proof of voting. Politicians and government ministers are pre-senting the elections as a plebi-

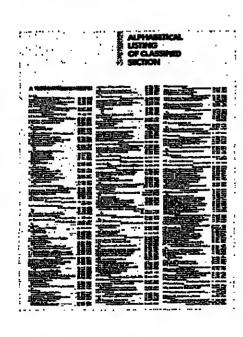
scite for democracy. The voting will also measure the strength of the candidates for May's presidential elections. Sr Betancur's term finishes on August 7, and there are three main contenders in the fight to

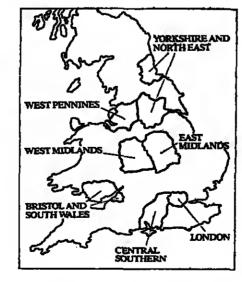
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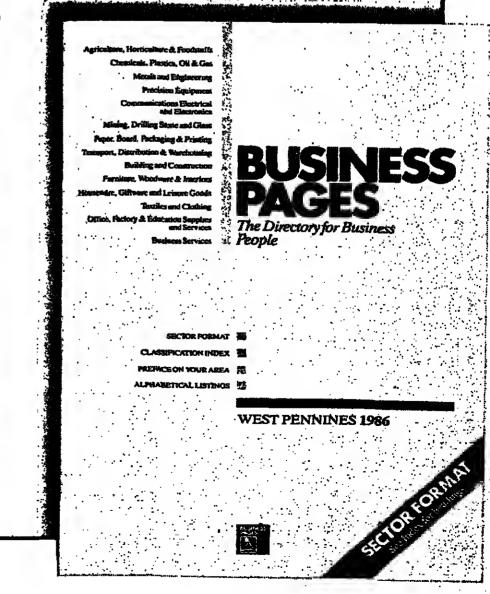
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# Mubarak urges swift action on economy

BY TONY WALKER IN CAIRO

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A. EMP C Andreas Comments

strike of 101,3

action to deal with his country's administration. riots by conscript security police last month that caused several bundred million dollars worth of damage and further worth of damage and turtner harmed the tourism Industry.

In what was effectively an initimatum to the administration of Prime Minister Ali Lutfi, Mr Mularak called for "strong, practical and radical measures" to deal with Egypt's economic fils, which include an acute hard currency shortage caused in part by the oil price slump.

Addressing tha national assembly just two weeks after tha police riots Mr Muharak praised the country's 48m bis attempts to enact reform beve run into opposition from those who fear social unrest if an austerity programme is imposed. Meny Egyptians live at or helow subsistence level.

Mr Mubarak may have decided that he can no longer afford to walt. Widening balance of payments and trade gaps, increasing difficulty in meeting debt repayments, and pressure on slender foreign exchange reserves are just some of the problems confronting his praised the country's 48m of the problems confronting his people for standing firm against country.

e "terrible test" ... "a treacherous stab in the dark." treacherous stab in the dark."

The Egyptian Government has delsyed for months the introduction of an austerity package to alash imports, reduce subsidies on some itams, lay down a programme of pricing reform in the energy sector.

In the dark."

Speech that oil revenues this fiscal year to June would be down 5700m (£482m) and 51.2bn in the full year.

Other sources of foreign exchange such as tourism and workers' remittances are also being squeezed. down a programme of pricing reform in the energy sector, and rationalise the country's tangled exchange rate regime.

exchange such as tourism and workers' remittances are also being squeezed.

Mr Muharak urged the Government to increase revenues, being squeezed.

Differences within the Cahinet

EGYPTS President Hosni which has contributed to an Muberak, has demanded swift impression of paralysis in the

Prime Minister Lntfi, an economist, was appointed last September with a brief to tackle Egypt's economic problems but bis attempts to enact reform

Mr Mubarak confirmed in his

ment to increase revenues, bein the private sector, modernise over the prudence of adjusting state-run industries, boost prices, is understood to he the principal cause of the delay encourage food production.

#### **Divisions cloud Israeli** right wing convention

BY ANDREW WHITLEY IN TEL AVIV

Party opened its first national Likud leader to serve out his convention for seven years in planned two-year term in office, Jerusalem yesterday, deeply without either an internal redivided by a hitter leadership volt or else fresh national

power on its own for seven attended by 1,400 elected dele-years to 1984 and is now a gates from party branches, for coalition with Labour. Under a the role of heir apparent to rotation agreement with Labour, Mr Shamir. Mr Yitzhak Shamir, its leader.

the authoritarian former Likud reported yesterday that another Prime Minister, is likely to he of its soldiers had been killed only temporary. Few political in south Lebanon

ISRAEL'S right-wing Herut observers expect the current

Herit is the largest party in A no-holds-barred fight is ex-the Likud bloc, which beld pected at the convention, to he

The principal contenders for Mr Yitzhak Shamir, its leader, is due to succeed Mr Shimon the top job in Likud are Mr Peres as Prime Minister in David Levy, a deputy prime minister and former military hero, and Mr Moshe Arens, a prospects of rotation, the war-ring Herut factions have facitly issues and minister without agreed nor to challenge the 71-portfolio in the Netional Unity

prospects of rotation, the warring Herut factions have tacity
agreed not to challenge the '71year-old Mr Shamir for the
party leaderhin this time. The
novel power-sharing agrrangement is a personal compact
betwen Mr Shamir and Mr
Peres and not one between the
two parties.

But the hreathing space given
to the man who has had the
numeriable toh of filling hite

hardliner on foreign policy
issues and minister withoot
Government.

On the sidelines is Mr
Yitzhar Moda'l, the Finance
Minister. who is from the
strength of his key rola in the
successful anti-inflation drive,
Mr Moda'i this wek also declared his own candidacy as be
under the policy
issues and minister withoot
on the Netional Unity
Yitzhar Moda'l, the Finance
Minister. Who is from the
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On the Sidelines is Mr
Yitzhar Moda'l, the Finance
Minister. Who is from the
successful anti-inflation drive,
and the policy
issues and minister without
On the Sidelines is Mr unenviable joh of filling hte put it "next time round." shoes of Mr Menachem Begin. Meanwhile, the Israeli army

#### Ugandan army captures strategic northern town

BY CATHERINE BOND IN KAMPALA

UGANDA'S National Resistance Army (NRA) said yesterday that it had captured the strate-gic northern town of Gulu, breaking the back of resistance by former government troops to the administration of President Yoweri Museveni.

The capture of Gulu, 200 miles north of Kampala, after a three-hour battle, is a major step towerds establishing tha new Government's authority in the north, and helps consolidate its power in the country as a

Goln, which was the strong-hold of troops loyal to the former army commander,

General Tito Okello, is on the main road connecting the north and south of Uganda, and is also on the railwey running east from Arua, on the Zaire border, to Tororo, on horder with Kenya.

Arua and Kitgum, towards the Sudanese horder, are the only centres of significance in rebel hands, but are not expected to fall to government

The NRA, led by Mr Museveni captured Uganda's capital, Kampale, at the end of January, ousting the military government of General Tito Okello.

# grow over Beirut kidnappings

By David Marsh in Paris and Nora Boustany in Beirut

THE weekend kidpapping of four French TV journalists in Beirat has placed renewed pressure on the French Goverument and ahruptly shifted the focus of the French election campaign towards the Lebanese capital. The kidnapping of a

reporter and camera team of the Antenne 2 channel was claimed by the pro-Iranian Jihad Islam cattemist group which has already captured which has already captured four French nationals, one of whom was alleged to have been executed last week.

Jihad served notice yester-

day that France had one week in which to "recover" two Iraql dissidents, expelled from Paris to Baghdad last month following a spate of bombing attacks in Paris. The four French journa-

lists, seized at gunpolat on the city's outskirts, were on their way hack from filming a rally by fundamentaliat Moslem clerics, commemor-ating a car bomh last year against a Shi'tte neighbour-bood

Mr Laurent Fahius, the Prime Minister, speaking after meeting with Mr Roland Dumas, the Foreign Minister, and senior officials in the early hours of yesterday morning, did not try to hide tha French government's deepening anxieties over the

affair.
Although France sent off a
hatch of emissaries to Belrut
and Damascus at the weekend to try to find a way out of the hostages drame, the Government — just a week away from the legislative elections—is implicitly ackknowledging that its room for

manoenvre is severely constrained.

Mr Fahlus said France was being subjected to "blackmail." If it gave in, all French citizens in the world would

be under threat.

The direct cause of the kidnappings has been a govern-ment mix-up which led the Interior Ministry to expel two Iraqi dissidents to Bagidad without consultation with the Foreign Ministry.

#### Opec crude oil output 'to fall by 1m b/d'

CRUDE oil production by members of the Organisation of Petroleum Exporting Countries (Opec) will average nearly im barrels per day (hpd) less in the first three months of this year than in the last quarter of 1985, the International Energy Agency (IEA) estimated yesterday,

Reuter reports.

Total output by the 13 members of Opec would slip to an average 16.8m hpd in January-March compared with 17.6m bpd in the previous quarter, it said.

The IEA figures showed

slight production declines in Libya and Iraq and sharper falls in Iraq and Nigeria. But analysts said the cutbacks by Iran and Libya were the only nnes with an apparent politi-

cal motive.

Unrestrained Opec production in the past three months has helped force world prices down to their lowest since 1979, and Opec ministers are to meet in Geneva next week to discuss their next moves. Sandi Arahia, the world'a largest oil exporter, said again yesterday that it wants to improve prices in co-operation with other producers inside and ontside Opec.

# French fears EEC Mafia report faces rejection

BY IVO DAWNAY IN BRUSSELS

A REPORT by the European mittee last month. Its conclusion into links between sion, that "the impact of the Mafia and farm frauds in Mafia on farm costs appears the Mafia, if the Mafia and farm frauds in Mafia on farm costs appears the Mafia, if the Mafia and farm frauds in Mafia on farm costs appears the Mafia, if the Mafia and farm frauds in Mafia on farm costs appears the Mafia, if the Committee of the European weaker than was previously should try with the Commission to the Mafia, if the Commission to olive oil fraud in Italy has calculated that about Ecu 12.7m in expenditure has heen claimed to bold back payments," be said.

The commission into links between sion, that "the impact of the whitewash" of the Mafia, If the Commission the Mafia, If the Commissio Parliament.

demand thet the Commission withdraw the still unpublished

THE TWO organisations which

have led the movement to vote

Spain out of Neto in Wednesday's referendum staged e fes-tive finale to their campaign yesterday, rallying tens of thousands of supporters in a

A dispersed audienc In the

Parque del Deste iaped up the spring sunshine as pacifist figures from other European

countries came to reinforca the

BY MICHAEL HOLMAN

Over 700m people are undernourished despite the fact that there are ampl food supplies,

says a World Bank report pub-iished todey.

The report argues that the

panel of anti-Nato leaders. up by a Seats were left vacant in the the Commander of Mr Felipe Gonzales, a princip the Socialist Prime Minister, platform.

Madrid park.

The committee could not

The anti-membership cam-paign has been run through an

ad boc body, the Clvil Platform for the withdrawal of Spain from Nato, together with an association of peace groups. Their ectivity has been backed

up by a separate campaign by the Communist Party, which is

a principal element in the civil

World Bank outlines action on hunger

The seven-page document was
Labour MP who ebaired the higher and that attention should first discussed by the full commeeting. yesterday described be paid to olive oil where grant

favour of remaining in Nato. The campaigning period offi-cially ends at midnight tonight.

his auporters against going so

far as to make a protest "no"

the game of the Communists

and the Warsaw Pact," he said.

Figures quoted in the Com-Representatives of every pollucal group on the Budgetary Control Committee are expected at a meeting this evening to demand thet the Commission munity farm funds in Sicily between January 1982 and ties over the payment of Commission munity farm funds in Sicily between January 1982 and ties over the payment of Commission munity farm funds in Sicily between January 1982 and ties over the payment of Commission munity farm funds in Sicily between January 1982 and ties over the payment of Commission munity farm funds in Sicily between January 1982 and ties over the payment of Commission munity farm funds in Sicily between January 1982 and ties over the payment of Commission munity farm funds in Sicily between January 1982 and ties over the payment of Commission munity farm funds in Sicily between January 1982 and ties over the payment of Commission munity farm funds in Sicily between January 1982 and ties over the payment of Commission munity farm funds in Sicily between January 1982 and ties over the payment of Commission munity farm funds in Sicily between January 1982 and ties over the payment of Commission munity farm funds in Sicily between January 1982 and ties over the payment of Commission munity farm funds in Sicily between January 1982 and ties over the payment of Commission munity farm funds in Sicily between January 1982 and the payment of Commission munity farm funds in Sicily between January 1982 and the payment of Commission munity farm funds in Sicily between January 1982 and the payment of Commission munity farm funds in Sicily between January 1982 and the payment of Commission munity farm funds in Sicily between January 1982 and the payment of Commission munity farm funds in Sicily between January 1982 and the payment of Commission munity farm funds in Sicily between January 1982 and the payment of Commission munity farm funds in Sicily between January 1982 and the payment of Commission munity farm funds in Sicily between January 1982 and the payment of Commission munity farm funds in Sicily betwee munity farm funds in Sicily involved irregularities, the vast of farm frauds to organised was seven times greater than elsewhere in the EEC.

Mr David Martin, a UK believe the figures should he far practice is a free enterprise

expenditure has been claimed fraudulently. Some 26 co-operatives out of 500 are nuderactivity widespread aeross the

#### Nato referendum battle nears end **EEC** accused of failing to and Mr Alfonso Guerra, his number two, as a reminder of their oposition to Nato before Spain joined the alliance in 1982. Virtually the entire Guvernment was meanwhile being mohilised to try to regain ground for e "yes" vote in favour of remaining in Nato. The campaigning period offither conight.

By Christian Tyler, Trade Editor THE EEC nations' failure to adapt to change is stifling their domestic economies and damaging world trade and

adapt to change

growth, according to Mr Allen Wallis, US Undersecretary of Mr Mannel Fraga, leader of the right-wing opposition, stood firm by his much-criticised call for sbstention, but he warned State for Economic Affairs.

Mr Wallis told the London Chamber of Commerce on Friday that the issue of structural adjustment was high on President Reagan's agenda for vote. This would be "playing the Western economic summit, to be heid this year in Tokyo

on May 4 to 6. Mr Wallis is the President's chief "sherpa," as those who prepare the summit meetings are called.

He cited the Common Agricultural Policy (CAP) and coup on April 24, 1974, that European steel subsidies as prima examples of a wasteful ship of half a century.

Only hy raising the real income of households can food insecurity be relieved, says the report, coting famines in which "local food prices harely rose, and food was continuously available, but the victims lacekd the purchasing power to huy it."

In developing countries with an equitable distribution of income, backed by appropriate food and agricultural policies.

Although these will vary from country to country, such policies may include shifting resources from large to small farms. use of resources European governments should allow domestic markets to work extreme leftwing conp plunged freely, open their borders to Portugal into nine months of foreign competition and reform taxation systems "to reduce the drag nn their economies." Their failure to create new

# pledges political stability

Soares

By Diana Smith in Lisbor

MR MARIO SOARES, the new Portuguese President, has extended an olive branch to the minority Social Democrat Government whose leader, Prof Anihal Cavaco Silva, aupported the losing Conservative presidential candidate.

Mr Soares, a former Prime Minister, said at his ceremonial Minister, said at his ceremonal swearing-in in Parliament yesterday before 2,000 Portuguese and fureign dignitaries, that he will give the Government his support and his solidarity.

"I know how difficult it is to govern," he said in a speech in which he stressed the need for polifical stahility, social peace and development. "I know how important it is for governments

important it is for governments to have the understanding and encouragement of the presi-dent."

dent."

Reaffirming his commitment to being president of all the Portuguese, not merely of the left of centre majority that elected him, Mr Soares buried his differences with former President Eanes and praised him for the way he had upheld democracy during his two mandemocracy during his two man-

Mr Soares, the first civilian president in 60 years, paid tribute to the "patriotism and courage" of the military who permitted the return of democracy to Portugal through their

Eleven years ago tomorrow on March 11, 1975, a turbulent

The report argues that the root cause of hunger is poverty.

"A continuing tregedy is that the purchasing power to huy some 34 per cent of the population of the developing world—excluding China—still does not eat sufficiently well to lead an active working life," the bank notes.

All yesteracy and resources from large to small farms,

Poverty and Hunger; Issues of the problem of food incompleted and options for Food Security in Developing Countries, £7.50, World Bank European Office, is to support economic growth of available, but the victims lacekd policies may include smitting and from large to small farms,

Poverty and Hunger; Issues of the purchasing power to huy it."

There is no one optimal solution to the problem of food incompleted and options for Food Security in Developing Countries, £7.50, World Bank European Office, is to support economic growth of available, but the victims lacekd policies may include smitting the purchasing power to huy resources from large to small farms,

There is no one optimal solution to the problem of food incompleted and options for Food Security in Developing Countries, £7.50, World Bank European Office, is to support economic growth of available, but the victims lacekd policies may include smitting and their economies."

There is no one optimal solution to the problem of food incomplete and options for Food Security in Developing Countries, £7.50, World Bank European Office, is to support economic growth of available, but the victims lacekd the purchasing power to huy available, but the victims lacekd the purchasing power to huy available, but the victims lacekd the purchasing power to huy available, but the victims lacekd the purchasing power to huy available, but the victims lacekd the purchasing power to small darge to small darge to small darge to small darge nn their economies."

There is no one optimal solution and optima

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every motoring indulgence as well as four people, this knowledge comes as great comfort.

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in soon.

CAL SHOWN BY THE LOTHER COLD SERVE CONTROL NO LOSS VAT AND CALL THE DELIVEY AND NUMBER HAVES CORRECT AT THE OF GOING TO PRESS SELFCUL TWEED HAVE LETTER AND MAICHED THERE SELVENCE, CATTORNAL EXTRACTION TO PROVIDE PROVIDE TO COMPANY FOR THE CORPES PERSONNEL WAS PLACED AND REPORT OF THE PROVIDE TO COMPANY FOR THE CORPES AND NORMAL WAS PLACED AND REPORT OF THE PROVIDE TO COMPANY FOR THE CORPES AND NORMAL WAS PLACED AND REPORT OF THE PROVIDE TO COMPANY FOR THE CORPES AND NORMAL WAS PLACED AND REPORT OF THE PROVIDE THE PRO

# Companies sign \$400m Pakistan countertrade deal

bave signed commercial agree-ments with the Pakistan Govern-ment to undertake \$400m in countertrade. The agreements more than it mey had been provide for each of the commorted normally.

Because of this, the Government has given the companies between imports and exports.

The four companies are MG

Under the agreements the four companies will, in effect, be responsible for implementing Pakistan'a Government-sponsored countertrade programme.

Islamabad's decision formally to back a national countertrade programme was first announced last year but it has taken until use countertrade as a device to this month to develop a work- achieve this objective. able shortlist from the more than four dozen trading com-

FOUR international trading gramme would have on companies are understood to Pakistan's traditional trading patterns and worries that goods imported through the counter-trade mechanism would cost more than if they had been

the country's chronically weak trade performance. The counter-Services, the trading arm of the Services, the trading arm of the Metallgesellschaft and Louis Dreyfus groups of West Germany and France; Prudential Bache of the US; Sukden of Bache of the US; Sukden of France and Mitsubishi of Japan.

Pakistan's total imports for 1986 are expected to range he-tween \$5.5bn and \$6bn, while its export target for the fiscal year ending June 30 is \$3.1bu. The Government is anxious to see the trade deficit narrowed, and this has motivated its drive to

able shortlist from the more than four dozen trading companies that sought to participate in the plan.

This stemmed partly from private sector concern over the effect the countertrade pro-

# Insurance premium rise worries Japanese exporters

JAPANESE exporters, alreedy under pressure from the effects of the rising value of the yen, face a dramatic increase in insurance premiums on product liability cover for manufectured goods exported to the US. Premium rates for US-bond products are set to rise by between 200 products are set to rise by between 200 products.

rured goods exported to the US.

Premium rates for US-bond products are set to rise by between 300 per cent and 500 per cent and the ceiling on insurance claims is to be reduced to half or one third of the pre-local 1986, starting April 1, unless eight a court and the ceiling or sare larged to the pre-local 1986, starting April 1, unless eight apparatus.

Surers made a three- to five-fold increase in premium on textiles, office automation equipments and machine tools because these are products on which claims are showing a sharp increase. vious year's level. less claims aginst Jepanese in Cars are the most vulnerable Tais!
This reflects the tough stance enters fell. The three Euro- US product liability suits. Each said:

ing insurance against customer lawsuits in the US.

As a result Japanese reinsurers made a three- to five-fold

Taisho, an insurance company ance makers in the US, whose said: "Japanese carmakers risks are reinsured in Europe

Y3bn and Japanese car makers anese insurers underwrite will have to bear losses them products manufectured by selves. Japanese car or electric eppli-

JAPANESE exporters, alreedy taken by the three European pean reinsurers asked for the under pressure from the effects of the rising value of the yen, face a dramatic increase in ingurance, because of their parent insurance of their pharmaceuticals, to be exponentially cover for manufacturer used to take product liability insurance of with General Motors and Ford duct liability insurance of with General Motors and Ford with General Motors and Ford duct liability insurance of the insurance companies in Japan.

A Japanese insurance companies in in the US as far as risk cost pharmaceuticals, to be exponentially cover for manufacturer used to take product liability insurance of with General Motors and Ford duct liability insurance of the insurance companies in Japan.

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A Japanese insurance companies in Japan.

A Japanese insurance of the insurance of the pharmaceuticals, to be exponentially cover for manufacturer used to take product liability insurance of with General Motors and Ford of the pharmaceuticals, to be exponentially cover for manufacturer used to take product liability insurance of with General Motors and Ford of the insurance of the pharmaceuticals, to be exponentially cover for manufacturer used to take product liability insurance of with General Motors and Ford of the pharmaceuticals, to be exponentially cover for manufacturer used to take product liability insurance of with General Motors and Ford of the pharmaceuticals, to be exponentially cover for manufacturer used to take product liability insurance of with Gener Y20hn, however, the ceiling on the insurable amount is being halved and premiums are set to increase 10-fold.

Non-life insurance companies are now refusing to cover car insurance on amounts up to Y3bn and Japanese car makers will have to bear losses themselves.

Taicho are formall Motors and Ford in the US as far as risk cost in the high risk will not any more be covered by product liability

# Textile producers paper over differences

REPRESENTATIVES of developing textile - exporting ference, but in real life it is aimed at providing "most products have had to be stockcountries meeting over the different. I am not very hopeforthcoming Multi-Fibre Arful," he said.

About 120 representatives of out prejudice to the trade

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and Indie thet en extension of the MFA, to run out in July, is by delegates said the development released that the meeting was a the devertising, packaging and ing countries agreed "that the unity is a necessity.

The joint statement released that the meeting was a success, but that continued unity is a necessity.

Wang Ruixiang, vice-presimant of the China National member state representatives of the agreement received was phased ont over an egreed time that the continued the advertising, packaging and marketing of their goods.

European Commission and member state representatives of the China National member state representatives of the China Statement with the gathering that China's textile exports, depended on "how the north world behaves . . . you can all things to all coun-

rangement (MFA) negotiations are resigned to an extension of developing countries and interests of established developing the arrangement, although they want it to he abolished.

Diplomats said that during the closed meeting, which ended on Saturday, representatives worked to convince countries such as Bangladean and Indie thet en extension of the wind was taken and clothing.

About 120 representatives of out prejudice to the trade interests of established developing suppliers. Mr Felipe gethered in what was their last Jaramillio, the vice-chairman of the meeting and chairman of the Council of the International Textile and Clothing Bureau, was reported by the Chinese news agency, Xinhua, as saying that the meeting was a saying that the development of the countries of established development interests of establishe

The European Community plans to help China spruce up export marketing to cut its yawning trade gap with the 12-nation group, Reuter reports from Peking.

The community is to hold a seminar in Peking later this year to advise Chinese exporters on how to improve

# Boeing hunts for more prop-fan airliner partners

industry's decision to take e 25 per cent stake in the financing, design, development and pro-duction of the 717, Boeing's revolutionary new \$3hn (£2.1bn) prop-fan airliner for the early 1990s, is expected to be followed soon by further international partnerships on

the programme.

Boeing is already in discussion with other interested companies in the US, UK, Western Europe and elsewhere, with a view to some of them participating on the same risk-sharing hasis as the Japan Air-craft Development Corporation

(JADC). Boeing says that "wberever there is an aerospace industry or company with the cepability, we are talking to them," with a view to extending the 7J7 partnership arrangements.

The prop-fan airliner employs the principle of harnessing a propeller to a gasturbine engine and in its latest form it uses new edvanced

cuts in fuel consumption of np to 40 per cent compared with the present generation of turbonew generation of turbo-fans can still use the Pratt & Whitney under development for use ney and Allison geered systems, in such airliners as the Airbus In the UK, Rolls-Royce's work

ment programmes ere under way by General Electric, Pratt & Whitney, and Allison Division of General Motors in the US, and Rolls-Royce in the UK. Manufecturers involved, besides Boeing and the JADC, include McDonnell Douglas which has teamed up with Saabscauia of Sweden, Aeritalia of Italy, and the Chinese Shanghal Aviation Industrial Corporation.

General Electric has elready run its prop-fan "demonstrator" (which it calls an "Unducted Fan" or UDF) on a test-bed at Peehles, Ohio, and plans a joint flight test with Boeing this summer in a Boeing 727 airliner, with a prop-fan replacing one of the three jet engines, Next year, McDonnell Douglas is lo start its own flight test

is lo siart its own filght test programme, using initially an Allison 578DX prop-fan mounted et the rear of an MD-80 twinengined airliner. Later, McDonneil Douglas will also test-fly the GE prop-fan, and has plans for an MD-91X prop-fan airliner at about the same time as Boeing's 7J7 emerges.

So far Rolls-Royce has no plans for test flights of its prop-fans, and believes that the time-scale set by Boeing and GE is unrealistic. Pratt & Whitney earlier bad similar reservations to Rolls-Royce, but the US com-

to Rolls-Royce, but the US com-pany is now actively seeking a

Michael Donne reports on plans to develop a 150-plus seater twin engined aircraft by 1992, based on the revolutionary prop-fan engine.

link with Allison in the overall prop-fan programme, which means it will get into the flighttest phase next year.
This is significant because of the technical differences

between the various types of prop-fan now under develop-ment. General Electric is working on e "gearlesa" prop-lan, the hot gas generated in the engine being used directly to turn the propellers without a gear-box.

Pratt & Whitney and Allison are siming at a geer-box system, as is Rolls-Royce. The US research is jointly funded by the eerospace industry and the designs for both. The Government, through the propellers, for example, are shaped rather like scimitars, administration (Nesa) so that or even ship's screws, with 12 blades mounted on counterrotating hubs.

The results are claimed to be cuts in fuel consumption of ap

This eccounts for much of Boeing's confidence. If the GE gearless prop-fan elther does fan (jet) engines, and of up to not work as well as expected, 25 per cent compared with the or indeed is e fallure, Boeing

A-320.

Prop-fan airliners are claimed it to be just as fast as jet airliners, but much quieter, with less vibration and causing less pollution. Big prop-fan developassistance

Boeing itself accepts that the claims for the prop-fans have to be justified, which is why it is pushing for the early start to the test-flights. The sooner the valldity of the concept can be proved, the sooner it can euthorise full-scale development of the 7J7, without fear of the programme being enbsequently deleyed or amended if something were to go wrong with the prop-fan.

As things now stand, Boeing alreedy has 600 engineers working on propfans, and this working on prop-fans, and this will rise to over 1,000 by the cnd of this year. Boeing's plan envisages GE giving the production go-ahead for the engine by the end of this year, with the engineering go-ahead on the airframe in mid-1987.

The time-scale is tight, but Boeing and GE helleve they can make it. The entry of Japan into the team is a big boost to the eredibility of the 737, and it is now certain that other companies elsewhere will join over

it is now certain that other com-panies elsewhere will join over the months ahead.

McDonneil Douglas is also seeking risk-sharing partners, having already linked with Saab-Scanla, Aeritalia and the Chinese, and it could now be a hattle between itself and Boeing to win new partners for their respective programmes.

#### SHIPPING REPORT

#### Gulf war and oil price unsettle traders

FINANCIAL TIMES REPORTER

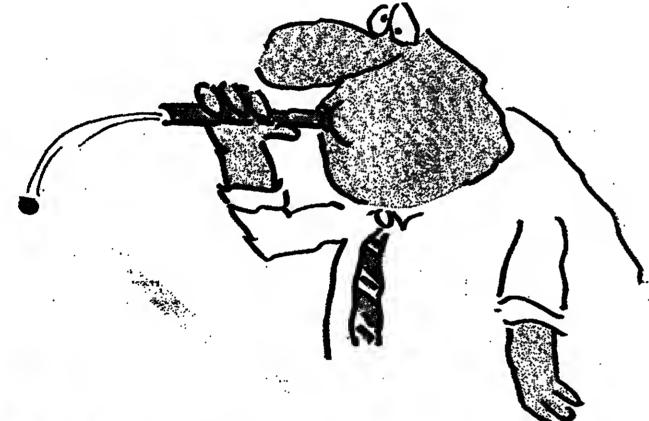
THE RESUMPTION of serial attacks on tankers in the Gulf after a period of relative quiet has left owners facing a further trading hazard. With crude oil prices still sliding, the main cargoes being moved are those under realisation contracts, says shipbroker E. A. Gibson. At the same time, there was a somewhat better inquiry pattern from the Gulf, with charterers mainly concentrating on Suez Canal size vessels enabling them to maximise the time between carro delibrate.

time between cargo delivery

In the clean market, the larger 50,000-80,000 tonners had difficulty finding work. West African activity maintained its previous momentum and the Mediterranean market, after a busy start, quietened down somewhat. In the sale and purchase

market, shiphroker Galbraith's said the tanker section had experienced its most active week for some time thanks mainly to Italian buyers. Otherwise there was little other cause for excitement.

# World Economic Indicators



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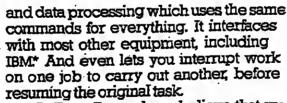
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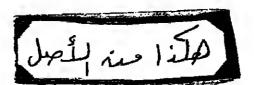
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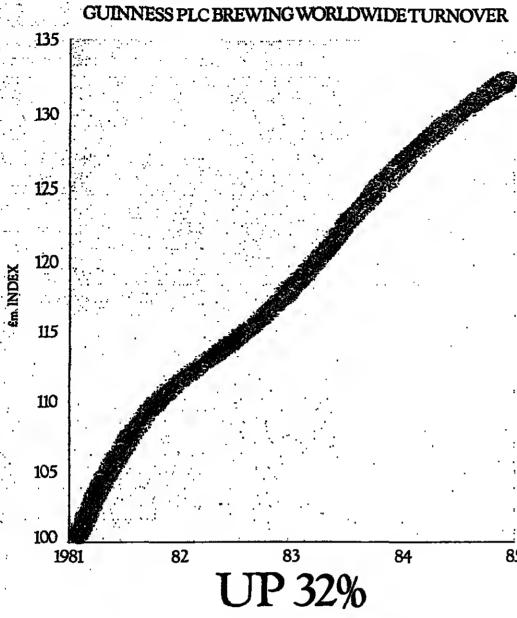


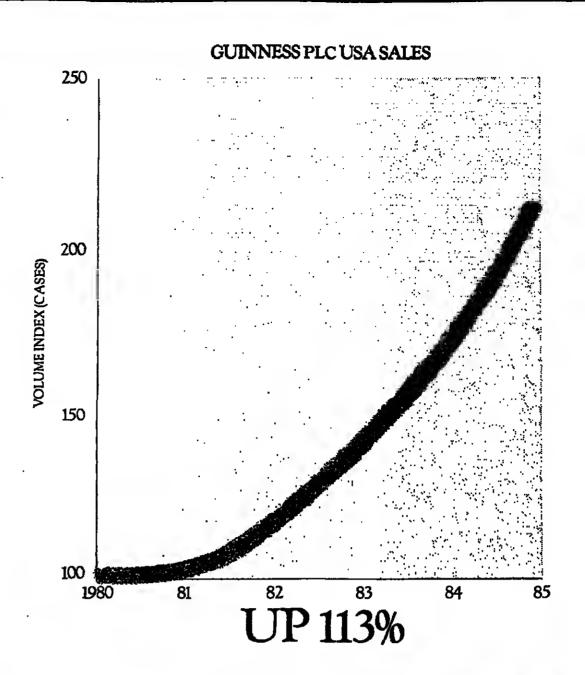
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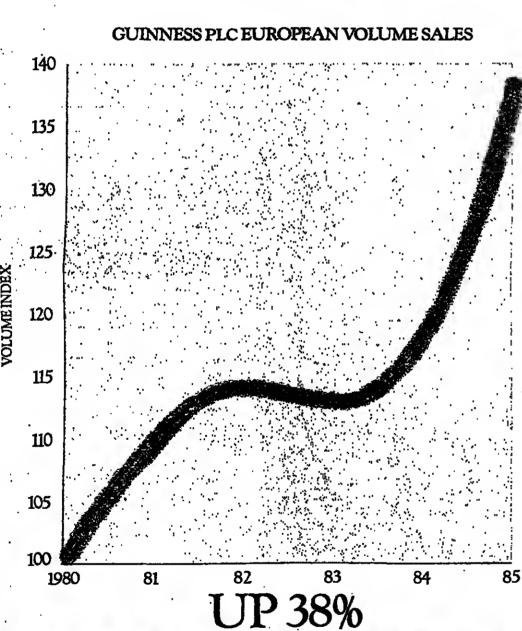


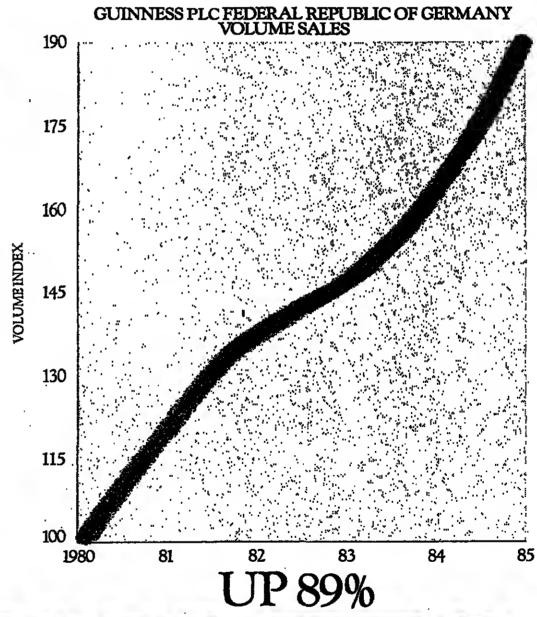
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#### **UK NEWS**

#### **Fund for** rebel councillors proposed BY JOHN HUNT

By John Hunt

PROPOSALS for a special hardship PROPOSALS for a special hardship tund to help councillors in Liverpool was prepared to look again at the most limited with the control of the possibility of introducing a system of educational vouchers to enable parents to choose which schools their children attend. ronment spokesman.

The scheme, which has the backing of Mr Neil Kinnock, the Labour Party Leader, will be put forward

The intention is to help those councillors who face special hardship and might have to dispose of property and other possessions to meet the surcharge hill which totals

As Mr. Kinnock and Dr Cunningham have condemned the leftwing tactics in Lambeth and Liverpool the setting up of a voluntary fund will leave them open to strong criticism from the Conservatives.

receiving money is not ruled out.

bailing the councillors out from the grounds. consequences of their own actions. help in cases of real financial hard-

# **Education vouchers** to be reconsidered, **Tebbit indicates**

MR NORMAN TEBBIT, the Conservative Party Chairman, indicated yesterday that the Government

"I think there may well be room for an education voucher scheme if we can find the right one," he said in an interview on TV-am. His retoday at a meeting of the Local Government Advisory Committee of Labour's National Executive marks came as Mr Giles Radice, Labour's Education spokesman, wrote to the Prime Minister denouncing such schemes as "educa-

luctantly shelved it some years ago after strong opposition from offi-cials within his own department.

But Mr Tebbit said yesterday that things had moved on since then. He emphasised that a scheme had to improve education for all

cussed originally it had run up Dr Cunningham said last night | against practical difficulties but had that it would not be a question of not been rejected on philosophical

In the wake of the teachers' We want to see whether we can strike there should be a full-scale ship," he said. "These people have meant that anything could be on Conservative Party's commit had a very difficult time." meant that anything could be on Conservative Party's commit the agenda although "it doesn't to the state education system.



Mr Norman Tebbit

mean to say that we take it up." nouncing such schemes as "educational red herrings" and challenging her to deny that she wants to introduce vouchers.

Sir Keith Joseph, the Education Secretary, who has been the chief advocate of the voucher system, really that with challenging and the said.

Internative challenging and the said internative fashion," he said.

If the Government could find a way in which they would be a posi-tive influence in improving the standard of education for all child-ren then he would be in favour of

Mr Radice says in his letter it is Nevertheless, the possibility of controversial left-wing figures such as Mr Derek Hatton, deputy leader of Liverpool council, and Mr Ted Knight, leader of Lambeth council, When the idea had been dissembled by the support to the cambeth council, when the idea had been dissembled by the support to the cambeth council, when the idea had been dissembled by the support to the cambeth council, when the idea had been dissembled by the support to the cambeth council, when the idea had been dissembled by the support to the cambeth council, when the idea had been dissembled by the support to the cambeth council, when the idea had been dissembled by the support to the cambeth council, when the idea had been dissembled by the support to the cambeth council, when the idea had been dissembled by the support to the cambeth council, when the idea had been dissembled by the support to the cambeth council, and the support to the c disturbing that Mrs Thatcher is

· He calls on her to replace Sir Keith, who is standing down as an MP at the end of this Parliament, and to announce publicly that she does not intend to pursue "irrele-vant policies" such as vouchers. She debate on education, and that should, he says, also proclaim the Conservative Party's commitment

#### Ladbroke expected to bid for retailer

By Jeremy Stone

THE LADBROKE Group is today expected to launch an agreed offer for Home Charm, the second largest do-it-yourself retailer (DIY) in the UK. The bid is believed to value Home Charm at around 2200m, including the company's convertible

A week ago, Home Charm was forced to anoounce the withdrawal of a "mystery bidder", after the failure of weekend merger discus-

After that announcement shares fell from 390p to 285p, at which the company would have been capitalised at about £160m. Payless, a smaller DIY chain, was bought last Friday by Ward White

for £94m. Ladbroke is known to have been looking over the past year or so for a fourth major business, to balance its interests io racing, hotels and property. In January this year it held merger talks with Granada,

currently the subject of a hostile takeover offer from Rank. Home Charm, which operates over 100 Texas Homecare stores has been one of the leaders in the race to establish large DIY stores in out-of-town sites. I' has been expanding very rapidly, opening oearly 1m square feet of new selling

space in 1985. Home Charm's profits for the year are thought to have been held back by the cost of opening new stores to about the level of £10.8m

# Vickers to press ahead with its share offer

BY DAVID CHURCHILL

THE MANAGEMENT consortium gar House was substantially higher. only squash an official decision and tutions, employees, and residents in buying the Vickers warship yards — Trafalgar's directors are meeting cannot reverse it in favour of an the area around the Vickers yards buying the Vickers warship yards -which will build Britain's Trident nuclear submarines - plans to press ahead tomorrow with its share offer to institutions and employees in buy the yards, might seek to chal-lenge the way in which the Govern-ment has handled the matter.

Mr Paul Channon, Trade and In-dustry Secretary, decided on Friday to accept the £100m management -buy out bid for the Vickers yards even though the offer from Trafal-

Trafalgar's directors are meeting

today to consider what action to take next. One option is to seek a formal judicial review of Mr Channon's decision, a process by which spite of the possibility that Traial-gar House, which failed in its hid to dures can be challenged in the dures can be challenged in the

comment on the possibility of a ju-dicial review being sought. "We have nothing to add to our state-cept the management buy-out for

other party.

at Barrow-in-Furness in Wales and
Trafalgar last night refused to the Cammell Laird yard at Birkenat Barrow-in-Furness in Wales and

ment on Friday that we are consid-ering the position," he said. Trafalgar offer came as a surprise dures can be challenged in the courts.

A number of major companies have recently sought to challenge official decisions in the courts on the hasis that they were improperly reached.

A spokesman for the manage when it was announced on Friday. Ment buy-out consortium said that Labour MPs, who had been opposed it had no knowledge of any judicial for the sale of public assets, suggest-review being sought by Trafalgar ed that the Government had lost its House. He re-affirmed that the companition, we say the position, he said.

Trafalgar offer came as a surprise when it was announced on Friday. In the work of the manage when it was announced on Friday. In the work of the sale of public assets, suggest-review being sought by Trafalgar offer came as a surprise when it was announced on Friday. In the work of the sale of public assets, suggest-review being sought by Trafalgar offer came as a surprise when it was announced on Friday. In the work of the sale of public assets, suggest-review being sought by Trafalgar offer came as a surprise when it was announced on Friday. In the year's rainer than the migner trafalgar offer came as a surprise when it was announced on Friday. In the courts on it had no knowledge of any judicial for the sale of public assets, suggest-review being sought by Trafalgar of the sale of public assets, suggest-review being sought by Trafalgar offer came as a surprise when it was announced on Friday.

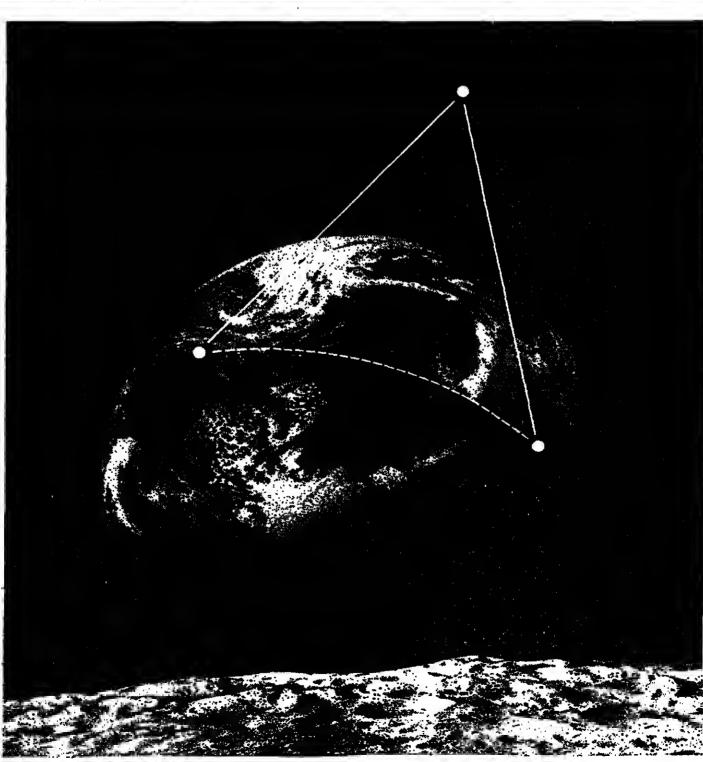
# Krupp engineering for excellence



The Earth's continents are constantly on the move. Radio telescopes are monitoring their drift. Thanks to the extraordinary precision with which Krupp builds such special antennas measurement variations are kept to a minimal 7 mm over 1,000 km\*.

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special antenna used for investigating polar light and the sun's influence an the seasons.

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At Usingen near Frankfurt, the West German PTT, Deutsche Bundespost, operates an earth station featuring twa 140-tonne parabolic antennas for worldwide TV transmissions. Krupp played a significant role in these antenna projects.

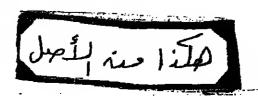
Krupp antenna engineering lends a. hand in many other areas too. Far example, in the search for and exploration of mineral deposits, in pollution cantrol and in command stations for spacecraft.

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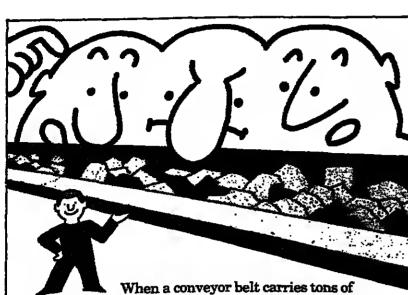
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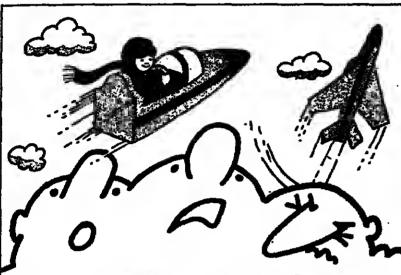
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ore, the jagged rock can cause a little rip which may become a big tear. They say you can't prevent that. But Goodyear said, "Think quick," and created Sensor Guard, an electronic system that shuts down the belt if it starts to rip. So minor problems can't turn into major disasters.



They say you can still train pilots in a flight trainer that teaches only instrument flying. But Goodyear said, "Obsolete," and helped create a new flight simulator that gives pilots the sights as well as. the feel and sound of flying. And with computerized projectors that react to a pilot's every move, the sky is the limit.



They say you have to change marketing strategy at every foreign border. But Goodyear said. "Now hear this!" And reorganized to market and advertise on a global basis and communicate in the universal language of quality and performance.



#### **Demand** for Today exceeds capacity

EDDIE SHAH, publisher of today, the new colour tabloid newspaper is the new colour tabloid newspaper is facing problems in increasing printing capacity to meet initial public demand for the newspaper, writes Raymond Snoddy.

Today is having difficulties in setting up a fourth printing centre planned for Rotherinam in the north of England to add to Popula newspaper.

of England, to add to Poyle, near Heathrow Airport, Birmingham and Manchester.

"We've got a problem. We still cannot find a proper building in Rotherham. We have got to act fast to take advantage of the demand," Mr Shah says, in today's UK Press

Sample research on the first three days of Today suggested that 30 per cent of the adult population were looking for copies of the pa-per, Mr Shah says.

I BRITISH TELECOM and D.C. Thomson, the publishers, have each taken a large stake in the Chil-drens' Channel, the cable television channel delivered by satellite. A new company, Starstream, has been formed to run the channel in which BT, D.C. Thomson and Thorn EMI each have a one third

II THE PROVINCIAL newspaper industry is returning to health in the battle against free publications and declining circulations, according to Mr Robbie Thomas, president of the Newspaper Society.

I BRITISH CALEDONIAN ha won a £3.5m contract from the Post Office to carry first class mail between southern England and Scotland, for two years beginning from April 1. The arrangement is a follow-on contract from a continuous 12-year contract in which BCal has provided the Post Office's main air link between England and Scotland.

☐ SEASIDE RESORTS in Britain still expect as much business this year as in 1985, when many holidaymakers opted for domestic holidays because of sharp price rises by Spanish hotels.

PUBLIC HOUSING standards have reached an all-time low under government pressure for cuts and privatisation, according to a survey of London Boroughs published by the Greater London Council's industry and employment branch.

CI COMPANIES which successfully introduce new technology have long-term training programmes for their workers and pay structures designed to reward those taking on extra responsibilities and new skills, says a report by a National Economic Development Office.



Dominic Lawson assesses the new gas export rules

# Concession may be too late

ALMOST 20 years after gas began to flow from the UK sector of the North Sea. the Government has finally decided that it can countenance the export of North Sea Gas.

Since the dispensation extends only to hitherto undeveloped fields, and since it is almost certain that the big North Sea gasfields have already been developed, it may appear to be a case of too little, too

But after Mr Peter Walker, the Energy Secretary, announced on Thursday the Government's willinguess to allow the export of gas, there was no doubting the sighs of pleasure emanating from the boardrooms of the leading North Sea explarers.

For years these companies, such

as Shell, Esso, and British Petro-leum, have lobbied for the move. They argued that British Gas's position as a virtual monopoly huyer of UK gas had led to such low prices being offered in the 1970s that UK gas exploration dried up altogether, and that this could happen again. They looked enviously at other sectors of the North Sea, from which their affiliates charged signi-

ficantly higher gas prices to the competing continental utilities. Sir Denis Rooke, the chairman of British Gas, argues that if Britain has be in line with European prices. been lucky enough to discover a Even if there were a big price innatural resource, then the British people deserve to have the benefit of that good fortune in the form of

BY DAVID THOMAS, LABOUR STAFF

TOP MANAGEMENT in the tricity after the election regardless

electricity supply industry should of whether the Conservatives win.

tell the Government to postpone the privatisation of British Gas until afsents 33,000 engineers, scientists

ter the next election, according to a and managers in electricity supply,

leading trade unionist in the says that the Conservatives, if re-electricity industry. turned in the election, would con-

Mr John Lyons, general secretary sider privatising electricity, but of the Engineers and Managers' would be faced with demands for

Association, writing in his union's much heavier regulatory arrange-journal says immediate gas privati-ments than in the case of British

sation will pose problems for elec- Gas and British Telecom.

This argument has in the past ap-peared attractive to some elected politicians who did not like to be accused of putting up the heating bills of pensioners to line the pockets of the oil multinationals. But the planned privatisation of British Gas

has altered the old political equa-The Treasury sees privatisation as a key means to strengthen com-petitive forces and has pushed consistently for the opening up of free trade in gas. The Department of En-

giste of government departments, enjoying the control over North Sea developments the gas export ban But the Energy Department had to recognise that control over North Sea depletion was not a proper role for a private sector company. There is no reason to line the pockets of the future shareholders of British

ergy has always been the most diri-

Shell or Esso. Continental sale contracts currently value gas only marginally higher than similar contracts signed recently between North Sea producers and British Gas. With continental contracts linked more closely to the price of oil, it is likely that soon the British Gas price will

centive for North Sea producers to rush into talks with Distrigez of the mid 1990s can only be sharpen-Belgium or Gasunie of the Nethered by the lifting of the export rush into talks with Distrigaz of lands or Ruhrgas of West Germany, embargo.

Delay urged over gas privatisation

these utilities might not be

The are already overstocked with gas through the 1990s and are about to sign a contract with Statoil of Norway to take enough gas from the huge Troll field to see them through to the next century.

case by-case hasis, bearing in mind the security of the UK's gas supplies. This has always been the official position in theory, but now the Government is signalling that the answer to such a request will be yes, rather than no. But the case-by-case caveat appears to be little more than a sop to British Gas's in-ter this year. jured feelings.

Most of the future North Sea gas developments will be far too small, Gas pic any more than those of BP whether, under the Treaty of Rome, the Government will be able to give permission for one company to export gas and refuse a request from

another company.

British Gas's main concern will be whether it will have a similar freedom to import. Only last year the Government vetoed a British Gas plan to buy \$30bn of gas from Norway's Sleipner field. British Gas's view that it may not have enough gas to meet UK demand in

If the Conservatives are not re-

So whatever happens, Mr Lyons

turned, then the privatisation of

electricity would be very unlikely.

are greatly modified."

budget expected by City

By Philip Stephens, Economics

A neutral

THE CITY of London is expecting a The Government has said that it neutral hudget on March 18, with will consider export proposals on a any cuts in income tax offset by increases in indirect taxes, particular-

ly on petrol.
Mr Nigel Lawson, Chancellor of

That coincided with an upbeat view of the outlook for the economy from the Institute of Directors. Its considered individually, to influence the security of the UK's gas showed that 74 per cent of senior supplies. And it is most unclear executives had reported an increase in turnover over the last three months, the highest proportion recorded since the survey began in 1983.

However, the institute is critical of the Government's economic performance and some 51 per cent of respondents argued that Mr Lawson should press ahead with plans for tax cuts in spite of the recent oil

price collapse.

The view among City economists, however, is that even with an average oil price of about \$18 per barrel (against the current spot price of \$15 and forward prices of closer to \$12), the scope for net tax cuts is minimal.

A series of reports published to-day suggest that at best the Mr Lawson could find room for net tax cuts of around £750m and at worse could face additional borrowing of £2bn even if lower income taxes are matched by higher excise duties.

The Treasury's own budget arithmetic will depend crucially on its expectation of both trends in the dollar oil price and on movements in the sterling/dollar exchange rate. Among measures thought possi-ble in the budget are the introduc-

concludes, "very considerable and entirely artificial strains between the two industries will therefore be set up, unless the rules governing the electricity supply's industry's tion of new tax incentives to boost performance in the public sector individual investment in the stock

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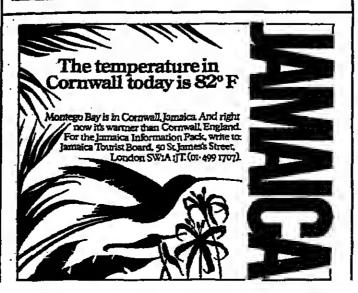
**Adjustment of Conversion Price** The Board of Directors adopted the following resolution on February 28, 1986:

Free share distribution at a ratio of 20:3 to shareholders registered on March 31, 1986 (record date). As a result of this capital increase the previous conversion price of Yen 583.90 for the convertible bonds will be adjusted in accordance with the Terms of Issue. The conversion price effective from April 1, 1986 will be Yen 516.40 per share of Common Stock with a per value of Yen 50.—.

Munich, in March 1985

The first temperature of the control of the control

On behalf of Dainippon Screen Mig. Co., Ltd. BAYERISCHE VEREINSBANK Aktengeselischeit





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#### **UK NEWS**

# Labour outlines proposals to recoup tax from well-off

BY PETER RIDDELL, POLITICAL EDITOR

off 5 per cent since the Conserva- account. Hattersley. Labours economic from all forms of income,

The believes that it would be unnecessary and mistaken simply to the accountancy firm, estimate that reverse the tax changes of the past the highest paid 5 per cent of the seven years. Instead, new methods population have received more than of raising a similar amount of mon- £3.8bn in tax concessions since ey from the better-off should be 1979.

such as mortgage interest relief, come surcharge and through reduc-should be restricted to the standard tion in capital gains and transfer or basic rate of income tax of 30 per taxes cent, rather than, as now, the mar-ginal rate of up to 60 per cent. The current upper limit on em- tions and stamp duty

troduce new forms of taxation on currently exempt categories like in- money recouped from this group the well-paid to recoup amounts re- vestment income, while benefits in "who have been the only beneficiaceived in concessions by the best- kind might also be taken into ries of tax cuts since 1979."

. Mr Hattersley's advisers, includ-

This has been through cuts in the Among the suggestions are that highest rate of income tax, through all tax allowances and concessions, the removal of the investment in-

. This is apart from other tax changes such as those in share op-

ployees' national insurance contri-butions might also be removed. In a paper for last week's Labour cabinet," meeting Mr Hattersley In addition, national insurance says a Labour anti-poverty pro- management.

A LABOUR Government would in- contributions could be extended to gramme could be financed from

tives took office in 1979, according . The main impact would be felt by misleading impression that we in edition of the Charterhouse study to proposals put forward by Mr Roy. those earning over £30,000 a year ted to finance our anti-poverty pro- on top management remuneration, gramme simply by levying higher published today. income tax on this group.

In a note to this paper he says, in raising C3bn to fight poverty would not even be taking back all of the tax concessions given.

Moreover we would not raise the cash simply by reversing the Tory ions. For example, there would be no return to very high rates of marginal taxation which few people paid anyway. Similarly, we would not reverse concessions

The Government is likely to argue that, in practice, the result of limiting tax concessions would be a from 10.5 per cent to 10 per cent. sharp increase in effective marginal rates of tax for

#### Directors' pay rises 10% in 6 months

By James McDonald

THE TYPICAL board director of a company, if he had a salary increase in the six months to February this year, received a rise of 10 But he warns against giving "the per cent, according to the March

> The study is based on the annual commercial companies, and salary and benefits surveys covering 3,000 board and senior management posts in over 400 companies.

It is aimed at assisting companies to plan their remuneration arrange

In comparison with the six months to August last year, the surrectors' salaries had moderated with the average increase falling The study says that incentives are standard practice for the major ity of board directors.

47 Electrical and Electronic companies, 2 Freight Forwarding agencies, 6 Printers and Publishers, 3 Haulage companies, 10 Computer companies, 22 Business and Secretarial services, 4 Packers, 2 Robotic Engineering companies, 25 Mechanical Engineering works, 15 Precision Engineering groups...and a man who makes printed circuit boards.\*

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# The quiet revolution at Lloyd's

Lloyd's insurance market. In this period virtually the entire structure of the £3bn market-place has been changed.

141 TA 3414 The changes in structure have been caused by Lloyd's legislation of 1982 which requires that insurance brokers at Lloyd's should sever their shareholding links with managing agency companies of underwriting of 1987. derwriting syndicates by the middle

clude the provision in its legislation by Parliament because conflicts of interest, actual and potential, had been identified in the relationship between the function of brokers. buying insurance on behalf of siders who have shown interest clients, and the managing agency companies of Lloyd's insurance syndicates, which sell insurance.

In total 114 agency companies, managing the affairs of 308 insurance syndicates in which a large part of the 28,597 underwriting sides with those who work in the embers is grouped, are affected. The Lloyd's market is composed of around 400 syndicates.

FOR nearly four years a quiet revolution bas been taking place in the jor part of Lloyd's underwriting called encies at Lloyd's who bave become bers in the new structure. pacity of over £7bn. In his report on the self-regula-

tion of Lloyd's published in 1980, Sir Henry Fisher, a former High Court judge, observed that the eight largest broker-controlled underwriting agencies at Lloyd's were controlled by the eight largest brokers, which account for nearly 60 per cent of the premium income at Lloyd's.

Now, following the restructuring of the market, a new phenomenon has developed: the rise of the mega-

underwriting agency.
What bas happened in the divestment programme is that little outside capital has come into the market to buy the agencies. Those outhave been deterred by the complex organisational structure that Lloyd's created for the future management of the agencies, which bas been designed to ensure that operational control of the agencies re-

To date around 80 of the affected agencies have divested themselves and manage- There are fears within the losses other than the elimination of the agencies have divested themselves ment of the agencies in "manage- Lloyd's market that conflicts of interpolation on underwriting of their links with insurance bro-

larger. Independent groups, such as Sturge Holdings and Merrett Holdings, have become powerful forces ders to satisfy there will be pres-

consolidated their positions through acquisitions of divested agencies. Together with the divested agencies of Willis Faber, the insurance broker, they are reckoned to £1.5bn of Lloyd's total underwriting capacity of over £7bn.

new structure which could emerge create strain in the relationship in will eliminate competition and con- the future. porate entity along the lines of a around the problem might be for in conventional insurance company. Lloyd's market identity could be clause in their underwriting agreeeroded. There would be little room In the new market for small under- that the agencies have a direct in-The issue is more complex than

that. Some of the independent un- tain because of reckless underwritderwriting agencies are now of such a size that they are seeking quota- warded only by a profit commistions on the Stock Exchange for sion, In the change of ownership of the agencies, control has passed either first agency to gain a full listing.

If agencies, through their Stock Exchange listings, have sharehol in the market because they have sure to impose beavy profit commissions on individual underwrit encies generate their revenue - and underwrite large volumes of insurance business, which may not be in the interests of underwriting members. The interests of the shareholder and the underwriting member The brokers bave argued that the would not be identical, which could

ments with the members to ensure

There is no penalty to the agent if the members make underwriting establishing an infrastructure that makes sense enjoying all the benefits of a continual association for business development.

Over thirty years of providing a sound indusfor the community-the businesses mentioned

Glenrothes has over thirty years experience of above are but a small proportion of those with Glenrothes Development Corporation.

\*With support from Glenrothes Development trial base for the widest range of companies has Corporation Michael Conway has set up his own resulted in a continual pattern of successful growth company C. B. Circuits, to produce printed circuit boards.



FOR FURTHER INFORMATION PLEASE CONTACT, JOHN McCOMBIE, COMMERCIAL DIRECTOR, GLENROTHES DEVELOPMENT CORPORATION.

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#### **UK NEWS**

# Oil revenue investment 'ensures Britain a £4bn annual income'

BY ROBIN PAULEY

WHATEVER happens to oil prices, investments as a result of North Sea oil have been enough to give the UK a permanent annual income of about £4bn a year, says the Lon-don Business School in a report

published today.

Francis Breedon and Giles Keating have constructed one of the most optimistic analyses yet of the oil crisis and Britain's future after North Sea oil runs out. In particu-lar, they disagree with the House of Lords select committee's report which, under Lord Aldington's chairmanship, said the decline in oil revenues would make Britain's balance of payments substantially worse and that significant policy

changes would therefore be needed.

The LBS argues that the decline has been anticipated since the oil was first discovered. The UK has used the income from oil to build up capital assets rapidly enough to generate a permanent income of around £4bn a year which will con-tinue in perpetuity. Until 1981 this both loans and deposits to decline

overseas assets, but since 1981 do- come down. mestic investment has become increasingly important.

This argument suggests that the current account surplus - £3.5bn to £4bn in 1985 - will fall much less rapidly than the fall in direct income from North Sea oil.

It conflicts not only with the Aldington Report's analysis but al-so with other economic analysis who have estimated that the decline in North Sea oil output, the shock to revenues caused by the oil price fall and the poor pick-up in British manufacturing output, could lead to a rapid decline on the current account. That, these analysts argue, could record a deficit as high as £20hn at 1985 prices within the next 10 years. But the LBS thinks the manufacturing decline is over.

The report takes a gloomier view of the effect of Britain's high inter-

mainly involved transactions in whether interest rates stay high or

The rate of increase of personal sector bank credit accelerated to 22 per cent in 1985, if direct loans are added to hank loans to building societies and non-hank consumer loans. This boom in consumer loans was accompanied by sluggish corporate borrowing, companies relying more on buoyant internal funds and new issues.

But the savinga ratio is also high. indicating that the personal sector is beavily engaged in both borrow ing and saving.

Neither borrowers nor lenders expect the unusually high interest rates to last. The borrowers have reacted to increased outgoings by raising loan demand so they can maintain spending. The lenders have put the extra income on deposit rather than spent it.

LBS Financial Outlook vol 3 no 2. LBS, Sussex Place, Regent's Park, London NW 1.

#### **New London** coach terminal recommended

By Lisa Wood

A LARGE new coach terminal in central London has been recommended in a report commissioned by London Regional Transport.
Three possible sites, at King's
Cross, Paddington and White City are to be further studied.

The report, by Steer, Davies and Gleave, said a new central London coach station could provide facilities for the coach traveller similar to an airport terminal providing good links with the Underground and coach connections to all parts

It would relieve the growing pressure on the coach station at Victoria which operates at capacity at peak times, and where there has been concern at the environmental effects of coaches on the surrounding residential areas.

Mr David Bayliss, London Regional Transport's director of plan-ning, said: "Coach terminal facilities have not been expanded to cope with the substantial growth in coach travel since 1980.

#### **Bureaucracy 'worsening** for small businesses'

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MERCHANT SYSTEMS pic 01-583 6774 ASK FOR SALES DESK

BY WILLIAM DAWKINS

BRITISH businesses are struggling respects shifted the burden, not litttory, according to a leading smallcompany lobby group.

The National Federation of Self-Employed and Small Businesses says in a paper published today that the Government's crusade against bureaucracy is having little effect. If anthing, says the federa-tion, which has 50,000 members, burdens on business are getting

The paper lists 39 ways in which the Government has made life

against greater administrative bureci it," says Dr Bernard Juby, the dens than at any time in recent his-federation's chairman.

The main burdens highlighted in the paper include tougher penalties for late payment of value-added tax, extensions to sick pay legislation, large real increases in gas, water electricity and telephone charge and more frequent tax investigations by the Inland Revenue.

The federation is critical of the Government's small-business assistance measures.

the Government has made life steps. Free from the National Fed-tougher for small businessmen in recent years. "We would contend Businesses, 140 Lower Marsh, Lon-that the Government has in many don SE1 7AE.

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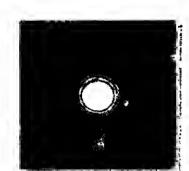




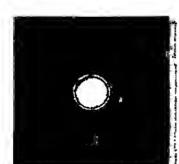
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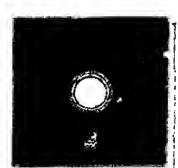
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We can offer customers refreshments, too (sorry, no alcohol) and a chance to sit down in comfort.

With over 1500 shops in the UK and by far the biggest share of the market, Ladbroke are more than ready for the changes.

We've already invested in the most modern communication and computer technology.

From our control centre at Harrow we've laid down a land-line to all our shops.

Electronic showboards and banks of TV monitors are already in place, alongside snack bars or vending machines. (In our larger shops you'll also find waitresses.)

Through our involvement in satellite television we'll even have the facility to beam in races from abroad. (Handy in the kind of bad weather we've been having recently.)

We believe we're several years ahead of our rivals in these developments.

No-one else has our operating experience

abroad. We own over 800 betting shops in Belgium and take the lion's share of the market.

Last year we bought a race course in America. When legislation allows off-track betting, we'll be there ready for the off.

Of course, racing is just one of three core businesses that have made Ladbroke one of Britain's top 100 companies.

Our Hotels and Property divisions are also making major contributions.

But, today, it's racing that's in the news.

And no-one is better placed to take advantage of that news, than Ladbroke.

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# \$20m gamble to leapfrog into lead

FEW ENGINEERS ever face as daunting a goal as Mr Louis Steen was set about three years ago: to design virtually from scratch a product as complex as a jet aircraft, which would agive his company a clear lead give bis company a clear lead lo a fast-growing sector of the world market for semicon-ductor manufacturing equip-

Mr Steen is managing director of the implant division of Applied Materials, a leading US microchip equipment maker. His mission was to lead a \$20m programme to develop the world's most advanced ion implanter, a machine which earries out a vital process in the production of microchips hy blasting ailicon with a con-trolled stream of atoms.

The success of the gramme, which was completed last autumn, is vital to Applied Materials' bopes of leapfrogging atraight into the front ranks of the \$300m market for ion implanters.

At present, 80 per cent of sales of this equipment are accounted for by just two American companies, Varian and Eaton. There are several smaller auppliers, including Nissin High Voltage and Ulvec

of Japan and Veeco of the US. The machine developed by Mr Steen's team is claimed to be Steen's team is claimed to be faster than any other on the market. By providing a denser beam of etoms than any of its company which was an early properties.

APPLIED MATERIALS' new

ion implanter hreaks ground in two areas, by offering high

beam currents and being straightforward to operate. The principle is the same as in conventional implanters.

Electrons are stripped off a material such as arsenie or phosphorus by bombarding the substance with other electrons.

The positively charged ions

which result are separated according to their mass by a

magnetic field, before being accelerated towards a water

by electric coils.

beam of etoms than any of as position or etoms that any of as competitors, it cuts the time yet whose management and needed to process silicon by finencial strategies went dis-

needed to process silicon by finencial strategies went dis-two-thirds. It is also easier to asterously wrong in the late

Peter Marsh on an ambitious project which breaks new ground in microchip equipment

The development of the machine is a fascinating story of technological ingenuity. The \$2.3m product, which takes up the space of e small room, has 80,000 mechanical parts, 600 sensors, 32 microcomputers and 750,000 lines of fault-tolerant software, about the same number as in o management system to run e large business. The development of the

At its peak, the project was consuming \$500,000 a month. with no certainty of a profit-able return. Every Monday morning I felt I was shovelling another \$100,000 into a furnace," recounts Mr Steen.

The three-year development took place in greot secrecy in the unlikely location of Horsham, a quiet market town in Sussex, England, some 10,000 km from the headquarters of Applied Materials in Santa Clare, California.

The US company gained this

Conventional implanters op

erate at no more than about

10mA (milliamps) while Applied Materials set its

sights on a 30mA machine.

The higher the current, the

more particles are shot at a wafer and the less time is required to effect a given

The difficulty lies not in

producing more particles at

the ion source, but in separat-

ing them effectively. The more loos are in the beam,

the more they repel each other due to their like charges, broadening the

says Mr Joseph Grenier, an analyst at Dataquest, the US market-research company. Siemens, the West German electronics company, has bought the first production veraion for turning out o new gene-ration of 1 Megabit randomaccess memories, chips which can store about 1m digits of

Applied Materials plans to sell a further nine mechines this year, which would increase its market share in ion implanters from zero to 10 per

cent in 12 months. To achieve this, the company bas to win orders from the world's top electronics concerns which include Texas Instruments, Motorolo, Hitachi and NEC. Until now, Applied Mate-rials, with ennual sales of \$180m, has sold mainly etching and deposition equipment used in emiconductor processing.

Lintott was on the edge of bankruptcy when it was pur-chased by Aplied Materials for less than £1m. The UK company had started life in 1877 making

It ventured from general engineering into lon implanta-tion almost by chance. In a fortuitous deal in 1969 with the UK Atomic Energy Anthority, Lintott acquired the commercial rights to ion-beam technology developed by the authority's Harwell laboratory.

Broad beams increase the

size of the magnet needed to separate the ions. In conven-

tional implanters operating at 30mA, the beam would re-quire a magnet obout as big as a deak.

In Applied Materials' de-

sign—which, to pack a beam into a small space, uses a novel way devised by Dr Derek Altken, the implant division's chief scientist—the

magnet is a 50-cm cube, about

an eighth of the size which would normally be required.

In conventional machines,

Harwell engineers needed to process silicon by the late two-thirds. It is also easier to operate: it can be reprosperated by punching simplified "menus" of instructions into a keypad.

The new machine has led to widespread interest in the semitons into a keypad.

The new machine has led to widespread interest in the semitons into a keypad.

The company realised it had atoms of electrons to form ions, atoms of e



The Applied Materials team. Left to right: Mike Wauk, Louis Steen, Charles Pruitz, Nick Bright, Dr Derek Aitken, Fred Plumb and Mike Hal

bad a tool with which to hombard silicon. By projecting ions of boron,

phosphorus and arsenic o few millionths of a metre beneath the surface of a silicon wafer, engineers found they could change the material's electronic characteristics to produce dense patterns of transistors and so form integrated circuits.

Lintott's technical record speaks for itself. Of the 30 or Series III implanters which Lintott sold over about 10 years, 27 ore atill in use. Yet hy the late 1970s, with sales ticking over at some £2.5m a year, the company was still housed in the original hlacksmith's buildings and run by people with little knowledge of the specialist demands of the world's chip industry.

After the acquistion, Applied Materials spent about a year evaluating sales prospects before it halted production of the old models, declaring them obsolescent, and hanked every-

ohtained enormous technical

high currents, wafers exposed in this way would be de-

Applied Materials hit on mounting 25 wafers on a large circular disc which rotates through the path of the beam.

This innovation, originally de-vised by Western Electric, the

US telecommunications com-pany, ensures that the wafers

stay cool, obtaining o burst of

energy for only a split second before moving out of the way.

Because of these innova-tions, says Applied Materials,

formed by the extra heat.

of system we were thinking about," says Mr Steen. "We had two of those people at Horshem."

Mr Steen is referring to Dr Derek Aitken, a physicist given the joh of developing the ion heam system in the new pro-duct, and Mr Fred Plumb, an engineer who devised the power

Others among the 35 ex-intott employees who are still Lintott employees who are still with Applied Materials played key roles in the project. The total workforce has expanded from 60 in 1980 to 170 today, of whom seven are American. These include Mr Steen, a

marketing specialist who before working for Applied Materials in California wos employed by Motorola and GCA, big US semiconductor concerns. Two other Americans were given important parts in lead-

ing the project: Mr Mike Hall, a systems engineer with ex-perience of the aerospace industry, and Mike Wauk, thing on developing a new a semiconductor expert.
machine.
The development

created four prototype im-planters before building the machine, lahelled P-2, which was sold to Siemens.

the new machines can implant

silicon three times as quickly

The engineering team also

huilt into the mechine e large element of automation, Nor-

mally, a highly skilled techni-eian is required to "tune" an implanter, manually set-ting about 100 different fac-tors related to the beam's

As e result, it is time con-

suming and costly to switch an implanter between differ-

ent jobs, such as are required, for example, in meking the latest generation of chips

as rival equipment.

type and P-2, the engineers redesigned 40 per cent of the parts. "The basic concept was ood," recalls Mr Steven, "But in a system as complicated as this you are always going to run into design problems which need attention."

Not the least innovetive part of the exercise was the way Applied Materials financed the early part of the development. In 1982-83, the company was short of investment capital due to other demands for funds caused by e trongh in equipment

The company's Horsham ccountants arranged o novel financing package in which three investors — the National Coal Board's pension fund, Bri-tish Technology Group and Morecrest, an investment arm of Midland Bank — put up \$3m to back the development.

With \$2m of its own money end a \$2m grant from the Industry Department, the tranche of cash enabled Applied Materials to spend a total of \$7m on the scheme by the end of 1983. Applied Materials bought the investors' stake in the project in 1984, after the company was confident the work

Faster and simpler way to produce greater variety of chips

plants, each requiring changed doses and differen-Applied Materials says, in contrast, that its equipment will run under the control of a relatively low-grade operator, who will need simply to type in instructions on a keypad. The implanter's electro-nic memory could contain up to 500 "menus" describing a range of implanting opera-tions, different mixtures of menus being required for dif-ferent chips.

customised to specific appli-cations. Such chips may re-quire up to 15 different lm-

#### **Europeans** in £1.8m research consortium

COMPUTER INTEGRATED manufacturing systems are to be developed by a consortium of three European companies and two universities in a £1.8m project within the Esprit programme.

The three companies are ICL. Dextralog, a UK leader in real time production con-trol systems and Krupp Atlas Datensysteme, the re-cently re-formed Krupp information technology group.
University contributions
will come from the expert
systems and knowledge en-

gineering group of Delft, and the production engineering laboratories of Twente, in Holland.

The object of the programme is to make major advances in the integration of computer systems on or near the shop floor at a level which so far " has not been achieved in any commercial system."
It will embrace production planning, scheduling, database management, supervisory control and factory floor data collection.

Then, says the consortium. it will become possible to acquire a system able to provide small to mediumbatch production runs (where 70 per cent of Europe's in-dustrial production takes place), with flexible manufac-

PROFESSIONAL PERSONAL computer hardware sales, which are regularly moni-tored by Wharton Information Systems, Richmond on Thames, amounted to 219,650 machines in 1985.

For January this year, the market research company's interviews identified 2,404 personal computers, sold by its respondents, estimated at nine per cent of the market's total. Of this sample, the percentages sold were 44 hy IBM, 15 hy Olivetti, 12 by Apple, seven by Compaq and four by Apricot. More on 01-940 7366.

FIZZY DRINKS, ice-cold, can be created at home by a table-top machine called SodaMate. Costing \$100, it is about to be test marketed in US by Cadbury Schweppes.

Around the size of a home course maker, SodaMate con-tains a pressurised carbon



dioxide cylinder and a carbonation tank, which the user fills with 3.5 litres of iced wate. A tumbler placed in the dispensing cavity of the casing starts the flow of carbonated water and opens a valve on the underside of a drink concentrate container,



EDITED BY GEOFF CHARLISH located above the dispensing

A fixed ratio of water and concentrate is dispensed and the concentrate bottle is easily interchanged — there are 20 flavours available. More on 021-458 2000.

GLASSWARE DESIGN time has been cut from about five days to a few bours at Rockware Glass in Yorkshire using coloured, "solid" models of the products on a computer-aided design screen. Apollo Computer provided the hardware, Deltacam Systems the

Designs can be huilt up using screen and keyboard so that colour shading of the final image reproduces the exact light and dark effects of an actual glass container.

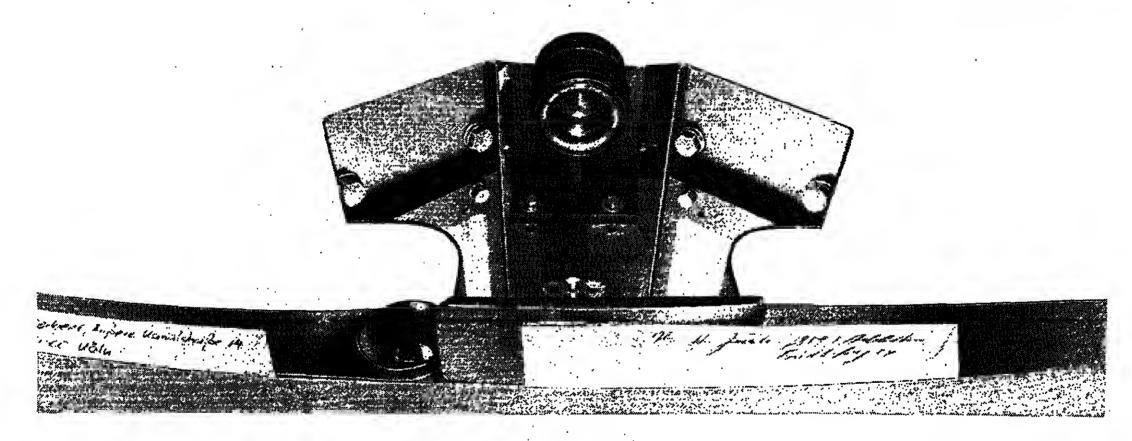
A full printed technical specification is produced at the same time, as well as colour prints of the screen image that the customer can take away. More on 0977

MOBILE RADIO coverage of an area bounded hy Blackpool, Preston, Bolton, Man-chester and Chester bas heen provided by Pennine Communications using "trunked radio" technology.

In trunked systems, a radio frequency channel is allocated, by computer, only when two parties need to talk, thus making best use of the available number, of channels.

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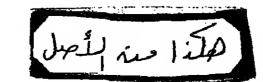
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# An invitation to cut Hanson's profit forecast down to size.

+34%

34%. That's the profit increase Hanson Trust is forecasting for its current financial year.

From £252.8 million in 1985 to not less than £340 million. On the face of it, great news for Hanson's shareholders.

But where will these increased profits come from?

Well, we estimate that around 20% (some £52 million) will come from interest savings arising from last year's rights issue. In other words, a once-and-for-all gain paid for by investors.

Profits, certainly. But are these profits from organic business growth?

Out with the scissors. Lop off 20%.

+14%

That leaves 14%. Still a relatively healthy increase. But from where?

We estimate that £32 million should come from the first-time contribution to Hanson profits from SCM – a company bought during this financial year.

Once again, not profits from organic growth but from acquisition.

Bang goes another 12% or so.

+2%

And what are we left with? An increase of less than 2%. Oh dear.

Under 2% of organic business growth.

What's that? Inflation? You mean it hasn't been taken into...



-?%

The sources for the information contained in this advertisement are set out or referred to in the letter from the Chairman, Imperial Group pic to shareholders dated 6th March 1986. The directors of Imperial Group pic (including those who have delegated detailed supervision of this advertisement) have taken all reasonable care to ensure that the facts stated and opinious expressed are fair and accurate. The directors accept responsibility accordingly.

months ago.

MASAKA OGI may be unique in his appreciation of Sidicon Valley's notoriously clogged freeways. He likes driving to

'In Japan, a chauffeur-driven car would collect me every day. Then my time was not my own. Here I have more freedom. I am very relaxed," says the 56-year-old Fuitsu executive who was appointed president of Fujitsu America (FAI), one of the US subsidiaries of the Japanese electronics giant, 12

Ogi's US colleagues are incredulous, but not altogether surprised by his attitude. While they would cheerfully swap the stress of freeway commuting for a chauffeur-driven limo, Ogi is adapting well to the American way of life, which of course includes a lot of driving, they

Ogi, and his parent company

Fujitsu, appreciate the need to adapt to the culture of the US. Accepting the fact that buge differences exist, and making a differences exist, and making a genuine effort to appreciate the other side's view is the key to Fujitsu America's "cross culturalisation" programme.

"We believe that the better we understand one another's culture the better we will work together," says Arthur J. Gemmell, senior vice president of administration, who joined FAI from Atari two years ago. He

from Atari two years ago. He is personally taking the process

American and Japanese are trained in each other's business practices and culture. Many have taken courses at the Japan-American Institute for Manage sales office for Fujitsu, staffed ment Science, a Fujitsu-supported college in Honoluln
which offers anything from one
week's "survival training" to
fully blown postgraduate
degrees in cross-cultural mansegment styles agement styles.

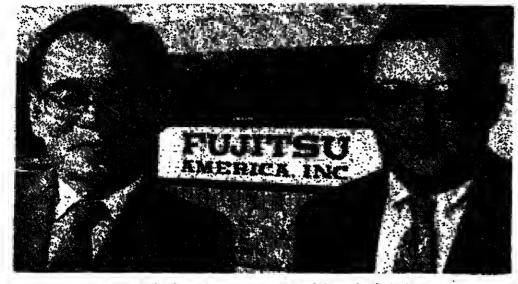
company as Americanised as e model for FAI's epproach possible, which means placing to Americanisation. Initially, Americans in top positions. True, our Japanese staff will still be needed as a link between the US and Japan, but 1 believe efforts in America. We are working bard to achieve this. More than 90 per cent of Fujitsu America's workforce is American. The vast majority of management is American," says Ogl.

Presenting itself as an American company is important for FAL quite beyond its employee relations. In the cur-rent atmosphere of trade Japan, the threat of protec- the

Fujitsu America

# Cultures in harmony

Louise Kehoe on the Japanese company's adaptation to a key market



Masaka Ogi (left) and Arthur Gemmell: appreciating each other's view

tionism looms large. Having a autonomy.

"When the baby can walk one step further hy studying the Japanese language.

Other FAI employees—both American and Japanese—are trained in each other's business. Achieving a balance between the Japanese approach to business and the "American way" is a major preoccupation at this 10-year-old \$420m a year sales US Fujitsu subsidiary.

"I would like to make this company as Americanised as emodel for FATof modems and fibre optic tele-

wben the plant opens in a couple of months, it will be used to assemble drive parts from Japan. Over a three- to fiveyear period, bowever, the plant will become more autonomous. gradually increasing its local parts purchases and developing its own products geared to the US market.

As in other new foreign business ventures, the new manufacturing operation will he closely controlled by Fujitsu from Japan when it first opens. As businesses mature, however, friction between the US and Fujitsu's practice is to increase Japan, the threat of protection subsidiary division's

and talk and feed itself, they let go," says John Familetti, senior vice president of FAI's telecommunications group. telecommunications group.
"There is a very basic belief
at Fujitsu that if FAI is going
to be successful, then the parent

company must vest certain autonomy with the subsidiary." Although the president of FAI "will probably always be Japanese," all other ranks within the company are open to Americans, FAPs American managers feel.

"I don't expect to become president of FAI but then I was with Burroughs for 27 years and I didn't expect to become president of Burroughs either. comments Harold B. Jamieson vice president ln charge of FAI's storage and peripheral products division, who joined FAI three years ago. Of the 80 or so Japanese

employees working at FAL many are technical support many are technical support staff. Typically, when a new product designed in Japan is offered in the US by FAI some members of the Japanese design team will join the product support group in the

career working outside Japan. They understand the need to to American manage-procedures," adds

At FAI's beadquarters in San Jose, California, "Americanness" of "Americamess" of the
Japanese-owned company is
remarkable. FAI's corporate feelings of his Japanese colstyle blends well with that of leagues just bave to be ignored. Silicon Valley where the traditional trappings of corporate rank are rejected in favour of make quick decisions. "Then I face the music afterwards."

Ori expresses a Japanese view

A major difference, however, between FAI and many of its of the same problem "My neighbours is low employee middle managers teod to send turnover, "We have single digit me 'raw' information. In turnover throughout the com-

offered to American FAI employees is a blend of US and Japanese traits, dominated by US practices. The infinence of Japanese culture is, however, positive, say the Americans. FAI owns 15 condominiums in resort and holiday areas which are available for all FAI employees.

the president." This is in stark the president." In its its its stark contrast to many Silicon Valley companies which often make workers redundant when business turns down. "I try to offer good incentives, especially when business is bad," comments Ogi.

Despite their "cross culturali-satioo" efforts, FAI executives acknowledge that cultural and language barriers do cause problems. "The Japanese we work with speak flueot English, but comprises their level of but sometimes their level of understanding is not 100 per cent," says Gemmell. And despite their apprecia-

tion of working conditions at FAI, the American executives do not have the same integrated attachment to their company as Japanese Fujitsu employees. The fundamental difference in the day-to-day cooduct of business in the US and Japan can also lead to misunderstandings and frustration. The decision-making process is particularly fraught with difficulties.

In Japan, decisions are made by consensus. This jars with the erican's typical desire for a quick decision, for example, in contract negotiations.

"Japanese do a lot of pre-liminary study before a meet-ing. They have already agreed upon the outcome before the meeting, which becomes just a rubber stamp exercise. If you throw io a last minute question at a meeting it can cause real problems," says Familetti. "At times it can be extremely

frustrating Sometimes you feel that it is all ritual and the American executive can feel that in some way it diminishes his anthority. But it is just a different way of operating."

pany," beasts Gemmell. In Silicon Valley, where engineers are reputed to change jobs "as easily as driving to the next parking lot." FAI maintains a loyal workforce.

The benefits programme management is by team work, in the IIS decisions are made in the president can feel comfortable with the decision. Here, he has to be very careful. Japanese management to by team work, in the IIS decisions are made in the president can feel comfortable with the decision. the US decisions are made hy individuals.

But Ogi has been quick to recognise the strengths of the American high technology industry: "Japanese cogineers are very conservative," he com-plains. Americans, hy compari-son, are more aggressive in their the new product support group in the didn will he US for a period, explains by Fujitsu Jamieson.

The Japanese executives who a, however, work at Fujitsu America are lay-offs are never even distributional types who division's typically spend much of their someone takes the approval of American way."

The Japanese executives who allowed a Japanese style "life time empared company to be more ployment" guarantee. "But aggressive. We are competing are never even distributional types who division's typically spend much of their someone takes the approval of American way."

back from the brink Andrew Fisher on changed attitudes at the Merseyside shipyard

How Cammell Laird came

Laird was widely written off as an industrial disaster, ripe for the Birkenhead shipyard was peppered with niggling, and not so niggling disputes. It was struggling to find work, and the British Government, its owner, had grown angrily impatient.

not creep in again. So they are giving employees much more astrong promation, never a strong promit in UK yards.

The reason Cammell was put to find work, and the quoted Vickers—the partly record, in sigt towner, had grown angrily impatient. the British Government, its company, its owner before owner, had grown angrily impatient.

Today, it has e naval order book of more than £400m, and plans to take on 500 more workers. It also hopes to win the culture of finding a buyer of the company of the company of the company, its owner before in sight. "We decided that we were to keep the place the company it would be feet—though it would be for the company of the comp

workers. It also hopes to win more frigate orders. Manage-ment and unions talk of a new spirit in the yard and both sides seem confident it will last, though aware that this will take constant effort. For Merseyside, an

employment hlackspot in the north west and where labour relations have often been sour and militancy rife, the Cammell Laird transformation is salutary. The turning point came in 1984, when most workers decided the yard could only be

submitted in late February by Trafalgar House and a consortium of management, employees, and financial insti-tutions. On Friday it was announced that the consortium bid, worth np to £100m, had been accepted by the Govern-

The new owners will have a labour force which has been through some testing times. "Since we walked through the picket line, this whole yard has been as one. We're more of a family now," says Mr Gerry Reeve, yard secretary of the Confederation of Shiphuilding and Engineering Unions (CSEU).

Not that the atmosphere has

suddenly switched from confrontation to cosiness. "Nowa-dsys, we do more talking and less fighting, but we're not a pushover," insists Mr Frank Innelli, chairman of the foreman's committee.

As the crisis atmosphere re-cedes, the task of Cammell Laird's managers is to see that the old restrictive practices do

Certainly, the yard would have found few takers, even after the reward for its and-militant stance with a £140m frigate order in January, 1965. It came from Micheal Heseltine, former Defense Samulary who former Defence Secretary, who as Environment Secretary bad spent much time on Merseyside after the 1981 riots.

He had to hattle in Cabinet to have the Type 22 frigate order placed with Cammell Laird, and made clear that the workforce's stand against the militants had "averted the almost certain closure of the

decided the yard could only be kept open by accepting compulsory redundancies, braving pickets' insults, and continuing to work.

Under the wing of Vickers, the big submarine-building yard in Cumbria, Cammell Laird was this year put up for sale as part of the Government'a privatisation policy. Bids for the yards, being sold together, were militants had averted in closure of the almost certain closure of the yard at an early stage."

Michael Murden, managing director of the yard, says: "We were given the Type 22; we knew it would not be repeated."

More recently, however, the yard has won £300m worth of submarine orders in competitive tender.

Jumed work in October, 1984,

sumed work in October, 1984, after lay-offs caused by the mili-tants' action, the management brought in new productivity methods and the joh flexibility that BS had been seeking at all naval and merchant yards.
"The men worked through from October to January wondering where the bell the work

was coming from, but they operated flexible working," says 42-year-old Murden. Since 1984, the yard has slasbed overbead from £24m to £13m a year, and hopes to move from losses of over £6m to profits in 1987. What really happened two years ago to hring matters to a

bead? The immediate issue was the yard's decision to seek 600 compulsory redundancies in an industry which had recently shed labour mostly through voluntary means. But not enough volunteers had heen found this time.

The yard had suffered through its rapid move under BS into the complex and un-

TWO YEARS AGO, Cammell not creep in again. So they are rescued by Trafalgar House in Laird was widely written off as giving employees much more March, 1984, but still sbort of

Cammell Laird had lost a cammell Laird had lost a stage rig order from Sun Oil of the US to a Swedish yard, partly because of its labour record, and had no other work in sight. "We decided that if the ware to keep the place on we were to keep the place on its feet—though it would be very had news for Merseyside —we would have to let 600 go,"

Reluctantly, a mass meeting of the workforce, then around 2,500 but alreedy much reduced from previous levels, voted to take no action egainst the joh losses. "We explained the market situation," be adds. He admits the vote surprised him.
The management then decided who should go on the basis of individuals' past timekeeping, skills, and capabilities. A sit-in began in the summer mainly by members of the General, Municipal, Boiler-makers and Allied Trades

Union.

About 1,200 workers were laid off for 14 weeks during the dispute, which ended in October 1984 when police persuaded the remaining 37 men who had barricaded themselves inside a nearly completed gas rig to leave peaceably.

Murden remembers when work resumed at the yard, It was October 8. The first few days saw several hundred pickets outside the gates, most of them not from the yard, and people began to walk in individnally.

"We thought we'd lost," recalls Mr Murden. The noisy presence of the pickets could have balted the return, but most employees went through. "On the second day, we met in groups and a thousand walked through en masse."

Since then, workers with different skills heve worked across formerly rigid demarcation lines, and the yard has been able to perform more effectively. Murden thinks it could now huild a surface war-ship in 31 years, a year under previous times.

Apart from the flow of information, there are no special methods for promoting contact with employees. Meetings are held when necessary, though BS into the complex and unfamiliar sector of offshore oil and gas rig construction, as had Scott Lithgow on the Clyde, with iniliants out in the cold.

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#### Company Notices

# ROBECO

ANNUAL GENERAL MEETING
OF SHAREHOLDERS
to be beld on Wednesday, 25th March
1956, at the Nillon Hotel. Woona,
Rotterdam, at 2.30 p.m. AGENDA

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CONVERTIBLE BONDS 2000 At the meeting of the Board of Directors i the Sames Bank, Limited (the "Com-any") held on February 24 if the meeting of the Board of Oirectors in Samus Bank, Limited (the "Coming Samus Bank, Limited (the "Coming Samus Bank, Limited (the "Coming Samus Bank, Limited value of the Samus of Samus of the Market St. 1956 (the "record date") the rate of 0.003 new stares for the Samus Banket St. 1956 (the "record date") the rate of 0.03 new stares for the Samus Banket St. 1956 (the "record date") if ractional new shares rosulting from ea allotment will be sold by the coming and the proceeds will be distributed to shareholders in proportion to the interests in soca bactimal shares, of the distribution will become factive on May 20. 1986.

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**PARIS** 

The Ordinary General Meeting of March 3 1986, held under the Chairmanship of Mr Georges Smolarski, approved the accounts of the fiscal year ended on December 31 1985.

Net income after tax and provisions increased from FF 16.05 million to FF 24.08 million and the dividend from FF 54.80 per share to FF 60.00 plus tax credit.

Moreover, the Extraordinary General Meeting of February 12 1986, authorised the Board of Directors to increase the capital, at once or gradually, to bring it from 100 to 200 million Francs.

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#### THE ARTS

## Lend Me a Tenor/Globe

#### **Michael Coveney**

Here is a quirky enterprise: a smart, inventive farcical comedy set in a 1934 Cleveland Ohio hotel suite that, despite running out of ateam on its last lap, the fate of most non-French farces, smacks of a gaudy col-laboration between Moss Hart and the Marx Brothers. The author, Ken Ludwig, is a showhusiness lawyer whose play has heen plucked from the American aticks and planted boldly in the West End in a bright and invigorating production by Davld Gilmore, designed in gilded splendour by Terry Parsons. It is like watching A Night at the Opera mixed up with Light Up the Sky, the work of a creative Hollywood/Broad-

way necrophiliac.

A provincial opera house is playin ghost to "Il Stupendo," the temperamental Neapolitan Tito Merelli, arriving with furlous wife in tow, costume and interpretation complete, for a quick killing (though not, he assumes, his own) with Verdi's Otelio. The manager's daughter is a besotted fan, the daughter's admirer, played in extravagant athletic style by Denis Lawson, the company factorum with hidden talent for singing the Verdi tenor roles. He launches his first assault on the funny, prim and tensile Maggie of Jan Francis with an hilarlously surprising account of Radames' "Celeste Aida."

The atar la proving difficult: Merelli's wife is jealous and frustrated, Merelli himself suffering with digestive prob-lems. He finds an ally in Lawson's Max, the amhitions Lawon's Max, the amnitons gofer, and the two of them relax their limbs and clear their limbs and clear their limbs and clear their throats for the meltingly delicinus "Liberty" duet from Don Carlos, Max la establishing his credentials as understudy, and the inevitable happens when the marital hickering results in an marital bickering results in an apparent suicide and the manager, desperate to avoid humiliation on the big night, casts Max as the diplicate Otello, "Albert Rupp," on the sure hasis that the ldiots out front won't even notice the difference, let alone ask for

The less credible premise for the second act door-slamming activities in that the cast and hangers on fail to spot the difference too, even though Mr Lawson is about two feet shorter than Ronald Holgate's towering Moor. The Desdemona (the sinkily assured Gwendolyn Humble) with her eyes on the Met suggests a post-première party to the resurrected ster ("Is Mumm alright?" "She's fine thank you — In Naples") and wraps herself up in a short towel and hubblebath; while Maggie stripa down for ber besotted Buttons clone to her silken undies.

By this time the play has degenerated into being competent and mechanical rather than, as in the first act, genuinely funny. Mr Lawson's farcical prowess is best demonstrated and the second of the s strated early on, even if he does nothing more apectacular than he achieved in Mr Cinders, And the show is powered, too, by John Barron's masterful impresario, shaking the "corpse" with scornful cries of "Italian bastard" as his features solidify into a fantastic rictus of scheming opportunism. This is a technically brilliant performance, well complemented by Edward Hibbert's starstruck bell-hop and Josephine Blake's suchingly recognisable over gushingly recognisable dressed First Nighter.

"Apparently some lunation dressed as Otello tried to get into the theatre tonight " is the final act tag underpinning mis-taken identities of two fuzzywigged, jewel-encrusted, baggyhosed baroes assailed on all sides by lovers and employers. Mr Lawson ingeniously alters his act to include attiff bands on hips, over-manufactured cries of "Ciao" with matching ges-tures and operatic swaggers. The image of the dusky beef-eaters becomes more amusing than their lines; these receive a hrief boosting improvement with the return of Anna Nicbolas'a spot-on, luxuriously attired operatic wife meeting the query "Who are you?" from a skimpily attired "friend of the family" with the hrutally unanswerable explosion "The Family!"

#### A Winter's Tale/Birmingham Rep

#### B. A. Young

on all proposals to do with the fabric of churches. This reclessastical exemption has its supporters but it is hard to defend the role of the church as judge and inry of its own affairs — particularly when is well supported across party ancestors held sacred.

It will not change the rules for churches in use (althiugh they need amendment too) but it could stop the rampant wave in the could stop the rampant wave of demolitions that is removing as judge and inry of its own as successful, and the Bill so many of the things our affairs — particularly when The vast stage of the Birming. deal with, is the first to show ham Rep would hold the entire how effectively the softer kingdoms of Bohemia and emotions can be played in this Sicilia side by side, even with great void. She and Antonia ont the forestage that the Birmingham School of Theatre Design bave added. The result is 2 wreat and added. The result is 2 wreat and added. is a great open space, empty of any scenery but a few fallen branches, that is very hard to play any intimate scenes in. I suspect that Clive Perry and Christopher Morley, the direc-Christopher Moriey, the direc-tors, do not want to persuade us that Shakespeare's im-probable story is to be treated as a credible romance, but more as a kind of masque. They open with a dancing entry of all the players; only when the dance is done do the disagreaments between Leonte and Polivenes

between Leontes and Polixenes Peter Woodward and Matthew Scurfield have to speak at one another in the tones of a parliamentary debate, with the emotions raised to a level that suits their austere background. Mr Scurfield is soon sent off to Bohemia, and after this we begin to see the real value in some of the performances. Mr Woodward remains magisterial until later in the evening, when the falsity of his suspicions, revealed by the oracle, drive him to sorrow and repentence.

The real fun comes in the second half of the evening, at the shepherd's party, prettily bosted by Sarah Woodward as Perdita. The musicians who have been sitting in a corner of the stage all the evening come out and accompany the songs and dances on rustic lecturements. instruments, even Autolycus's numbers, bappily sung by Bob Grant in a manner with a touch of the music hall about it. I felt that some of the fun was overdone, with too many actions to suit the words, so that time went back rather slowly. Ben Daniels is not the most romantic Florizel I ever saw, but be is certainly handsome.

Time (Leon Green) is permanently on stage, playing all the smallest parts besides bis the smallest parts besides bis own, and this can be confusing. I much liked Denis Holmes as Antigonus, but where was the bear? The Clown (Andy Hockley) told us what was going on; but when Shake-speare takes the trouble to say "pursued by a bear" surely wa ought to see one.

#### Rowan Atkinson/Shaftesbury

#### **Michael Coveney**

Gummer, Hatton and Scargill

bumation of Harold Macmillan tottering back to the revue

lyzed into a hizarre nasal over-

flow; he applauds the Thatcherite self-help creed of

The inhalation and transport across the stage of a misplaced

follow-spot is perhaps a mis-

taken steal from the great

Popov, and the pace flags a

little as the Geordie soccer

manager faces his team who are

37-0 down (" Don't panic, lads.

it's only half-time") and an army rubberneck beats on about

defending the base against hloody women, "a pack of peace-loving anoraks," But two hrillant set-pleces reduced me

at least to helpless laughter: a waiter in an Indian restaurant,

politeness crumbling when faced with an invisible pack of drunken yaboos (much better than the Sloane Ranger Revue

Rowan Atkinson's new show, Rowan Atkinson's new show. No mercy is shown, no affi-at the Shaftesbury Theatre is liations declered. The biggest scatalogical, crude and funny, remarkable for its cunning large-scale atmosphere even though Atkinson is supported only hy Angus Deayton, a sort of lobotomised sacrifical John Cleese character, and a hidden musician. Robin Lefèvre's production is set in a high-tech garage, designed by Will Bowen, of coloured lights, steel girders and spiral stair-Much of the material, written

by Ben Elton, Dick Curtis and Atkinson, covers familiar alternative comedy terrain: some rather tricky disability jokes, a rock band guitarist who keeps missing his mike and contracting vertigo while jumping over his amplifiers, a callous headmaster (" If your son was not dead I would have bad to expel him"), a vicar discussing Christ's miracles in terms of a warm-up act for Paul Daniels ("Not so much fun since Nazareth won the cup").

But everything holds together thanks to the atar, who relishes the vast spaces of the stage to exploit his growling cherubic demeanour and the funniest set of disorganised limbs since Jonathan Miller. In a news summary for the bard of hearing. the Labour Party is devastat-Ingly cartooned as e pregnant dancer engaged in an unseemly old-fashioned dance, the twist; Michael Heseltine as a manic helicopter flying ont of control.

stration on how to be an ideal danger in a clever robotic sci-fi spoof is Wogan the Terrible.

The latter routine provides Atkinson with much opportunity for those lightning physical transformations linked by thet inherently funny are rapidly fired down in a country song. But the best sketch in this vein is the exdetached facial serenlty. "do's" and "don'ts" include bow to greet her parents, how stage ba first graced in Beyond the Fringe, boss-eyed and bent to hail a taxi and how to silde on to the dance floor. Atkin-son's hrand of "cool" is as laughable as his "naffness" is double, savage put-downs squeezed out beneath the Atkinson upper lip bere paraabsurd and frenetic. Another, more impacted version of the same split-personallty act comea when the voice of a violent "Get up and do it yourself" adding croakly, mischievously, "Try telling that to a man who wants a hlowjoh." invisible man accompanies the fraught antics of his victim on the tuhe, Atkinson suddenly hurled across the compartment, alien fingers power-pumped into his nostrlls, legs splayed, groin vulnerable and inevitably

kneed. There is a bilious proxy acceptance speecb from a losing nominee at a showhiz thrash, Atkinson emerging swearing from the atalls to pick up the tankard he has long coveted in any old petrol station, and a slightly disappointing encore of the school register sketch now re-written to give all the boys names of scrofulous Indecency ("Don't let me catch you in the corridor, Herpes"). The even-ing was received with rapture by a mostly young and devoted following. It plays at the Shaftesbury for three months item along similar lines), and before ch a Polytechnic lecture demon- Broadway. before chancing its arm on



Liza and Rowan: "Show-biz is not what it used to be . . . it's better"

#### Liza Minnelli/London Palladium

#### Martin Hoyle

Show-biz is not what it used to be: it's better.

Liza Minnelli is here for two weeks with a superbly drilled and immaculately professional show. Her 90-minute stint, after a first half warm-up from The Footlockers, is as memorable for what It omits as for what It retains, Yes, she does express pleasure at heing bere

Tallor-made for the star, this glossy and unbelpful proby Kander and Ebh for the 1972 gramme. The supporting gronp, which are an in the expensive, song was originally composed glossy and unbelpful proby Kander and Ebh for the 1972 gramme. The supporting gronp, which are reported with a Z, and the Footlockers, begin with same writers figure prominently in the programme. The supporting gronp, which same writers figure prominently in the programme. The supporting gronp, which same writers figure prominently in the programme. The supporting gronp, which same writers figure prominently in the programme. The supporting gronp, which same writers figure prominently in the programme. The supporting gronp, which same writers figure prominently in the programme. The supporting gronp, which same writers figure prominently in the programme. The supporting gronp, which same writers figure prominently in the programme. The supporting group, which same writers figure prominently in the programme. The supporting group, which same writers figure prominently in the programme. The supporting group, which same writers figure prominently in the programme. The supporting group, which same writers figure prominently in the programme. The supporting group, which same writers figure prominently in the programme. The supporting group, which same writers figure prominently in the programme. The supporting group, which same writers figure prominently in the programme. The supporting group, which same writers figure prominently in the programme. The supporting group, which same writers figure prominently in the programme. The supporting group, which same writers figure prominently in the programme. The supporting group, which ginger goose-step. Combined with the wide-spaced eyes that recall her famous mother and the toothy grin and beaky nose all ber own, the impression re-mains of a streetwise kid still startled and delighted by

emotion and the cheerful fluffs in the star's spoken links seem genuine. A reference to recent personal difficulties can be read into ber opening nod to "Pick Yourself Up" and "Blue Skies," and into the significant success.

Bill Lavorgna leads an excellent 12-piece band who fully deserve their jam-session. Set and lighting — free-standing devoted audience actually and lighting — free-standing devoted audience actually panels that display clonds, is 40 on Wednesday; but even pattarns according to the most ungallant must admit mood—are absolutely right and scarcely merit the anonymity berself go.

#### Barshai's Mahler/Festival Hall **David Murray**

The great hulk of St Stephen, Rosslyn Hill, Hampstead, is in danger of demolition

Architecture/Colin Amery

Halt to church demolition sought

Under the Act the church anthorities offer a redundant

church one to three years, some-

tive use. During this waiting

times more, to find an alterna-

period empty churches inevitably decay, become subject to vandalism, and if no suitable

use is forthcoming they are

Because of the anomoly of

the "ecclesiastical exemption," these redundant Anglican

churches are complately un-

protected by the Listed Buildings Procedure. If the church is not considered important enough to be passed into the care of the Redundant Churches

Fund and no suitable new use is found, demolition follows.

demolished.

St. Thomas. Regent Street; historic buildings bave become St. Lawrence, Brondesbury; St. the concern of the whole

St. Lawrence, Brondesbury; St.

John, Islington; All Saints,
Clapton Park; St. Mark, Notting
Hill; St. Paul, Tottenham; St.
Michael, New Southgate; St.
Mark, Victoria Park; St. Luke,
Hammersmith; St. Peter,
Cricklewood, St. Peter, Tottenham; St. John, Kilburn; St.
London which is covered by
Peter, Limehouse; Christ
Church, Lancaster Gate; All
Saints, St. John's Wood — the
litany of names could continne.

Canterbury in 1913 who decided that church buildings should be to mean, that important specifically excluded from the Actients Monuments Act. From that date diocesan advisory committees were appointed in almost every dioceses to monitor and advise on all proposals to do with the fabric of churches. This

litany of names could continue for pages. The list above is only half the total number of Anglican churches in the diocese of London that have been developed since 1973.

been demolished since 1972.

They have gone under the procedure known as the Pastoral Measure — a special procedure passed in 1968 to ensure that the established Church of England shall continue to have its own system for

tinue to have its own system for

dealing with redundant churches. This Measure con-

tinues to make certain that the

Church of England, the largest single owner of historic build-

lngs in Britain, stands outside

it was the Archbishop of

Canterbury in 1913 who decided

the planning laws.

Friday's Bournemouth Sym-Phony performance of the Mahler Ninth demonstrated several things; that the Bournemouth Symphony is a very creditable orchestra, that the Ninth Symphony doesn't play itself even with a creditable orchestra, and that Rudolf Barshai isn't much of a Mahler conductor. Not that he lecks sympathy—nothing in his read-ing was seriously misguided; threw the gap 'twixt good intan-tions and actual effect into bleak relief. If there were people in the modest audience swam smoothly into earsbot who were bearing the work live without indantation, and there-for the first time, they didn't

In ascending order of obviousness, three faults lamed the performance. One was a failure to give Mahler's extreme expressive accents full value (let alone his searing string portamenti, which were under-played to extinction). Where the music stretches to strident pathos, or as in the Ländler movement to desperate parody, but the fact that the evening it was kept within decent limits; was given over entirely to the Mahler (a perfectly reasonabla plan: a good Ninth should the supply more than enough threw the gap 'twixt good intan
threw the gap 'twixt good intan
movement to desperate parody, involvement to desperate parody, it was kept within decent limits; and decent music, and much of its power lies in lit over-the-top gestures. Another disappointing constraint was kept within decent limits; and decent music, and much of its power lies in other disappointing constraint was kept within decent limits; and decent music, and much of its power lies in other disappointing constraint was kept within decent limits; and decent music, and much of its power lies in other disappointing constraint was kept within decent limits; and decent music, and much of its power lies in other disappointing constraint was Barshai's sturdy, unbending the parod of the pa

hear it traduced—but they still lative beight of Mahler's bitter have a lot to look forward to.

There, as elsewhere, the most awkward feature of Barshai's treatment was a continual nuisance: be allowed the Bournemouth strings (properly reinforced for the occasion) to disappear repeatedly beneath the brass and especially the horns. Again and again, where what Shoenberg or Berg would have called tha Hauptstimme sits firmly with the strings, mare descants or punctuation by horns and trombones seized the foreground. Long passages of symphonic argument were thus obscured, not to mention the dramatic counterpoint in places that presuppose voices of equal prominence, and yet the horns were in their own terms quite

cburchea will be aubject to

exactly the same Listed Bulld-

ings procedures as secular monuments. This will avoid the

farcical situation that recently

A non-statutory Inquiry was held in Rughy into the fate of Sir Gaorge Gilbert Scott's Holy

Trinity church. It decided and was supported by the then Minister, Mr Michael Heseltine,

that the church should not be

demolished. The Church Com-missioners felt differently, ignored the Inquiry and knocked the place down.

The buge church in Hampstead

by S. S. Teulon—St Stepben, Rosslyn Hill — is awaiting a decision on its future, It has suffered whila being empty and glass and fittings have been

lost or damaged. St Stephen's

could be demolished if no use is found despite the fact that it has been described by John Brandon-Jones as "a singular

work of art without parallel in London, or indeed the country."

It is essential that the Church of England accepts the statutory planning controls that apply to all other historic huild-

ings. Why should Hatfield House or Blenheim be aubject to the rules while the cathedrals

and parish churches remain at risk from their ostensible guardians? Mr Freeman's excel-

lent one clause Bill is an im-

It will not change the rules

portant first step.

occurred in Rugby.

were in their own terms quite him to sorrow and repentence. speare takes the trescrupulous, as were the fine But Anne-Marie Marriot, who "pursued by a bear Bournamouth solo woodwinds. has affection and respect to ought to see one.

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednes-day. Exhibitions/Thursday. A selective guide to all the Arts ap-

Madrid, Midday concerts Monday: Or-ganist Anselmo Serna and Enrique Rioja, trundet: Bach, Brahms, Scar-latti. Fundacion Juan March, Castel-

#### TOKYO

New Japan Philhermonie, conducted by Seiji Ozawa. Saint Francis of Assazi by Olivier Messiaen. Tokyo Cathedral. (Wed, Thur). (9458144; 571 1689).

# planist. Mozart, Gershwin, Berg, R. Strauss (Thur). Kennedy Center

**NEW YORK** 

Musica Sacra (Avery Fisher Hall): Ri-chard Westenburg conducting. All-Bach programme (Wed). (874 2424).

Bach programme (Wed). (5/1222).

Carnegie Hall: San Francisco Symphony. Herbert Blomstedt conducting. Claudie Arran piane. Wagner. Besthoven, Nielsen (Mon); National Orchestra of New York. Enrique Batiz conducting, Gustavo Romero piano. Brahms, Revueltas, Elgar (Tue); Opera Orchestra of New York. Eve Queler conducting, All-Smetana programme (Thur), (24/7459).

Mar 7-Mar 13

to be: it's better.

weeks with a superbly drilled

and immaculately professional

show. Her 90-minute stint.

after a first half warm-up from

The Footlockers, is as memorable for what it omits as for

what it retains. Yes, she does express pleasure at heing bere but refrains from overdoing it,

and cautiously skips the assur-ances that we are wonderful. She finally dons male garb (after opening in fringed red and black lurex) but is endear-lingly dumpy in tummy-empha-sising trousers and tails. Such

Miss Gwetkln fetched £13 2s 6d in the artist's studio sale of 1796; 2,100 guineas at Christie's in 1905, hut juat 651

rural sketches which are always being discovered (this one turned up in Northumberland) is expected to make £50.000. Lt shows rustics threshing corn on the land of the artist's hrother, Golding. The Creation of Light, painted by George Richmond In 1826, very much under the influence of his mentor, William

REYNOLDS was at his best painting courtesans and children, and on Wednesday sothehy's is offering one of the latter: a portrait entitled Simplicity — Miss Theophilia Gwaikin.

The sitter was the grand-daughter of his favourite sister Mary and the picture carries an estimate of £150,000,£200,000

once helonged to Queen Vic-toria. A view of Jersey could

Sothehy's has moved its sporting guns department to its rural retreat at Billingshurst in Sussex. Prices for guns in the provinces have outstripped London values, hence the shift. On Wednesday, at the first Sussex auction, a Purdey hammer gun owned by Lord nammer gun owned by Lord Ripon, the greatest shot of the golden age of the shooting party, could make £5,000, but hids up to £50,000 are expected for 53 game books, and other notebooks, which record Ripon's success in killing animals,

On one occasion he had seven pheasants dead in the air; he also killed 28 birds in a minute. His books record his Blake, carries an estimate of around £50,000. It has remained lin the artist's family, having heen bought for 28 gus by bis son at his father'a executors' sale at Christies in 1897.

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## Arts Guide

LONDON

Huddersfield Choral Society and Roy-al Philharmonic Orchestra conduct-ed by Owain Arwel Hughes with Felicity Lott, soprano, Sarah Walk-er, mezzo-soprano, Maldwyn Dav-

ies, zenor and Benjamin Luzon, bass, Handel's Messiah. Royal Fes-tival Hall (Mon). (9283191).

piano. Gluck, Brahms, Mussorgsky.

Ravel. Barbican Centre (Tue). (638 8891)

Hungarian State Symphony Orchestra conducted by Ivan Fischer with Vil-mos Szabadi, violin. Wagner. Bartok and Brahms. Bartican Centre

(Wed).

ondon Sinfonicita conducted by
Hans Werner Henze. First complete
London performance of Henze's Ele-

gy for Young Lovers (staged). Queen Elizabeth Hall (Wed).

drei Gavrilov, piano. Mozart, Rach-

Ĺ

Festival Hall (Tue).

Music

pears each Friday

Edda Moser recital (Mon). Theatre de Edda Moser recital (Mon). Théâtre de l'Athenée (47426727).

Ensemble Orchestral de Paris conducted by Yan-Pascal Tortelier, Marielle Nordmann, harp, David Geringas, cello: Daniel-Lesur, Boteldieu, Haydn (Tue). Salle Gaveau (45626757).

Anne Queffelee, piano: Chopin, Scarlatti, Beethoven (Wed). Salle Gaveau (45632030).

Orchestre de Paris conducted by Leinsdorf with Dietrich Fischer-

Rodrigo Festival: Bournemouth Sinfo-nietta and The Renaissance Choir conducted by Raymond Calcraft. Rodrigo, Falla and Copland. Queen Elizabeth Hall (Mon), (9283191), Leinsdorf with Dietrich Fischer-Dieskau: Mahler (Wed, Thur). Salle Philharmonia Orchestra conducted by Carlo Maria Giulini with Kathleen

Pieyel (4561 0630). Orchestre National de France conduct-Battle, soprano, and Renato Bruson, baritone. Franck and Fauré. Royal ed by Vaciav Neumann, Julia Var-ady, soprano: Liszt, Mahler (Wed, Thur). Thèâtre des Champs Elysèes London Symphony Orchestra conduct-ed by Eduardo Mata with John Lill,

#### WEST GERMANY

Prankfurt, Alte Oper: Martha Argerich and Nelson Freire (piano duet): Mo-zert, Brahms, Rachmaninov, Debus-

zart, Brahms, Rachmaninov, Debussy and Liszt (Mon).
The Milwaukee Symphony Orchestra,
conducted by Lukas Foss and pianist Ivo Pogorelich, Prokofiev and
Brahms (Wed).
Berlin, Philharmonie: Berlin Philharmonic Orchestra, conducted by Riccardo Muti. Mendelssoha and
Bruckner. Soloist is Leon Spierer,
violin. (Wed).

London Philharmonic Orchestra con-ducted by James Conlon with Felix violin. (Wed). Schmidt, cello. Dukas, Dutilleux, Schmidt, cello. Dinas, Dunneux,
Debussy and Raval. Royal Festival
Hall (Wed).

Royal Philharmonic Orchestra conFlorence: Teatro Comunale: Bach'a
Well-Tempered Clavichord, Andras
Well-Tempered Clavichord, Andras

Marketin Control of the Control of t

Schiff (Tue and Wed). (277 9238).

# maninov and Schubert. Royal Festival Hall (Thur). Banne: Oratorio del Gonfalone (Vicolo della Scimia 1/B - Via Giulia): The Chamber Orchestra of Paris Music from the Middle Ages to the Baroque period. (Thur). (635952).

Rome: Teatro Olimpico: (Piazza Gen-tile da Pabriano): Pianista Nikita Magaloff and Michal d'Alberto. Chopin, Grieg, Debussy and Bizet (Wed), (393304). Rome: Auditorium via della Conciliaz-

ione: Soprano Margaret Price.
Brahms, Berg and Stravinsky (conducted by Giuseppe Sinopoli). (Mon and Tue). (654 1044).

#### NETHERLANDS

sterdam, Concertgehouw, Mosche Atzmon conducting the Netherlands Philharmonic, with Isabelle van Keulen, violin, Berlioz, Saint-Saens, Ravel (Tue). (7) 8345).

Rotterdam, De Doelen. Arie Keijzer, organ, and Gerard Hettema, violin. Bach (Mon). Edo de Waart conductlng the Rotterdam Philharmonic. Bruckner (Thur). Recital Hall: Schubert lieder performed by Robert Holl, bass, accompanied by Konrad Richter (Wed). (1429 11).

monic, with Isabelle van Keulen, violin. Berlioz, Saint-Saens, Ravel (Thur). Recital Hall: Orlando Quar-tet. Mozart, Beethoven (Tue), Hoff-meister Quartet. Mozart (Thur).

Barcelona, Ensemble Clement Janequin and Les Saqueboutiers de Toulouse. Gabrieli, Scheidt and Schuz(Tue); Münchener Camerata. Mozart and Hindemith (Thur). Church St Maria de Jesus de Gracia, Gracia 3. (3011104). New York Philharmonic (Avery Fisher Hall): Zubin Mehtz conducting, Gue-her and Sueher Pakinel duo pianos. Boulez, Mozart (Tue); Pierre Boulez conducting, Phyllis Bryn-Julson sop-rano. Stravinsky, Debussy, Boulez (Thur), Lincoln Center (874 2424).

Madrid, Maria Joso Pires, Portuguese pianist. Schumann, Debussy, Mozart and Beethoven (Wed); Spanish Orquestra y Choir RTVE conducted by Ferdinand Leitner. Rachment-nov (Thur). Plaza Isabel 11. (2483875).

lo 77. (4354246).

CHICAGO

Utrecht, Vredenburg, St Matthew Passion performed by the Utrecht Student Orchestra and choir and soloists conducted by Richard Ram (Mon, Tue). Mosche Atzmon conducting the Netherlands Philhary property with Leable year Keulen visual Research (Tue). (2358111).

#### WASHINGTON

National Symphony (Concert Hall):

# Kanfmann Hall: Jermey Meanhin pia-no recital with pianist Richard Goode. Schubert, Bartok, Beethov-en, Schubert (Tue). 1395 Lexington Av. (831 8603).

Pieno evening with Rudolf Buchbin-der. Hayda, Beethoven. Musikver. cer. Hayon, Beetnoven. Musikver:
ein. (Mon).
Bach's St John's Passion, Vienna Bach
Soloists and Albert Schweitzer
Choir. Musikverein. (Tue).
Vienna Symphony Orchestra conducted by Hubert Soudant with Mariana.
Nicolasters. Soudant Wein Mariana.

VIENNA

Nicolescu, Soprano, Hein Meens, Tenor, Margareta Hintermeier, alto. Raval, Bruckner. Musikverein. (Wed

# Reynolds in family mood

Saleroom/Antony Thorncroft

estimate of £150,000-£200,000, A more parochial view of although with tha publicity accruing from the Reynolds show at the Royal Academy the actual price could be much higher. The painting dates from the parochial view of £18,000. Boys is also represented in an album of 70 draw-ings and water colours which forced Reynolds to retire toria. A view of Jersey could forced Reynolds to retire.

guineas in a 1920 house salea good illustration of the decline in demand for 18th century portraits after the Edwardian heyday.

One of those tiny Constable

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Monday March 10 1986

# Harsh lessons of tin crisis

Metal Exchange after more than a century of trading is a severe blow to the exchange with unfortunate implications for London's more general reputation as a trading centre.

Now that the long-drawn-out efforts to rescue tin trading the cost may be about half.

The other lesson from this sorry affair is that the customs and procedures of the London and procedures of the London.

bave failed, ettention needs to be focused as sharply as pos-sible on the faults which con-tributed to this spectacular

None of the parties emerges with much credit. The Interwith much credit. The Inter-national Tin Council, first estab-lished in 1956 as an agency of the UN to stabilise prices, has proved vacillating and ineffec-tive even by the standards of intergovernmental bodies. Gov-ernments of Third World tinproducing countries and of the consuming nations in Europe have repeatedly tried to slide out of their ohligations. Now they have simply welked away from the difficulty, leaving the bill — of about £400m — to be picked up by the LME's 13 trading companies, the 16 banks which somewhat imprudently lent money with over-priced tin as collateral, and the hapless users of tin who thought that they had hedged against a fall

Somehow governments seem able to escape the sense of general outrage which would have been heaped upon a group of private individuals if they bad behaved in a similar way.

#### Moribund

in the price.

One obvious moral that will be drewn is that groups of gov-ernments cannot always be trusted. This is likely to hasten the demise of some other com-modity pacts, particularly the International Cocoa Agreement,

International Cocoa Agreement, which has been moribund for several years. The passing of these efforts to anchor commodity prices against market tides will be little mourned.

The history of the Tin Agreement shows repeatedly that governments have been unwilling to vote the funds necessary to defend their desired price. Moreover, the buffer stock has rended to grow inexorably to tended to grow inexorably to an unstable level because govthat the time had come to sell slocks or to allow prices to fall. The conclusion of the tin crisis with an arbitrary price to close outstanding contracts and then a free-for-all, provides a sharp

THE DISAPPEARANCE of the cers like tha Cornish tin mines tin contract on the London which will probably have to Metal Exchange after more than a century of trading is a severe tonne. Cornish tin is glaringly

sorry affair is that the customs and procedures of tha London Metal Exchange have been tested to destruction. The day of the traders' club where a gentieman's nod is his bond are probably over. The fact is that the potential danger in the tin market was visible for some

#### Inadequate

The Tin Council, having bought np all the 63,823 tonne allowed under its 1981 agree-ment, was immobilising further supplies by buying forward quantities which it could not afford to take delivery of. The constant rolling over of these forward contracts provided hread and butter for traders, but as it turned out, with quite inadequate safeguards. This element of futures dealing had been grafted on to the LME's traditional business, which grew out of the trading of physical metal. In recent years physical trading for delivery accounted for only about e fifth of

However, this change hap-pened without the safeguards usually associated with futures trading—a clearing house to record all deals and a formalised system of margin calls. Apart from its monitoring function, a clearing house stands as a guarantor where contract is threatened with default. This might not have prevented the tin crisis, since the sums involved were so large; but an early warning would almost certainly have been sounded at a time when the traders who make np the LME appeared too complacent. Similarly, a formal requirement for traders to put a margin of, say, 10 per cent, "np front" would certainly have

front" would certainly have focused their attention on the risks.

Since the liquidity of the LME will now be seriously enough to do it better than Mac-Donald's?

From Rhea and his boys back in Woolwich, MacDonald's UK now employs 15,000 staff: Rhea now employs 15,000 staff: Rhea has had, personally, more effect on the landscape and economy of London and the rest of Britain than most senior politicals. procedures. When the Securi-

an effort to streamline the exchange's rather old-fashioned lesson that no government ties and Investments Board agency can defeat the laws of supply and demand forever.

The solution of the market will be harsh for those produ-

# Soviet team to woo the West

party'a just-concluded congress, last week's reshuffle in the

Gorbachev shows himself likely to be more flexible and thus less predictable on foreign policy than on domestic issues, assertive of party control over

The most intriguing appointment is the recall of Mr Anatoly Dobrynin, the longday-to-day. It is most unusual for a man who has spent his who was retired last week.

#### Conciliatory

dual party/government rela-tionship with Mr Shevardnadze, the Georgian party leader made foreign minister last year. There is now a "party " man in a government job and a "government" man in the party foreign policy slot. Yet, one must assume that the blurring of this party/government division—to order to make Soviet foreign policy more flexible in substance, if not less outwardly ideological—is just what Mr Gorbachev intends.

international department some of the hard-line image those earlier bodies had.

chev is going to push forward his peace offensive, "insistently and imaginatively" as ha told the congress. There are already signs that Mr Gorbachev is beginning to succeed in making the integer of the succeed in the succeeding th the impact on Western public opinion that his predecessors signally failed to make over US medium range missiles in 1983-1984. Replacing an ideological warhorse with a smooth diplomat at the party international department marks another phase in the campaign.

of heing junior, as a candidate Politburo member, to the head of the KGB with full Politburo status. This reinforced the im-pression both that the party is able, if it wants, to restrain a military less politically visible than in Brezhnev's time, and

At the same time, some retired generals and governmeot ministers have kept their posts on the central committee in a kind of "honoured pen-sioner" category. Mr Gorba-chey did not endorse any fixed US back in Moscow, as arms limit on the tenure of party

LL MIDDLESEX is

ugly," says Cobbett, as be sets off across the Thames on his rural rides; "Notwithstanding the millions and millions which it is conand millions which it is constantly sucking in from the rest of the kingdom." This was one of Cobbett's central prejudices, one which has been most easily transmitted through the decades: London as the Great Wen, parasitical on the Body Britannia. But is it sustainable? On what is it parasitical? And how does it make a living, now?

We start on the Thames as

cal? And now does it make a living, now?

We start on the Thames, as Cobbett did: at Woolwich, where you can find the 3,000th MacDonald'a, and tha first in the UK. A plaque outside says it was opened on October 1, 1974, and that it is dedicated to the people of Woolwich. The people of Woolwich seem quite dedicated to it.

Bob Rhea opened the Woolwich store in 1974, with three other Americans from his Cleveland MacDonald's franchise operation: Rhee is now chairman and chief executive

chairman and chief executive officer of MacDonald's UK, his brightest protege, Paul Preston. is president.

MacDonald's runs on slogans. One is "if you can lean, you can clean": so the crewmemcan clean": so the crewmembers (staff) never stop working.
The slogan above all slogans, though, is Quality Service Cleanliness Value. The MacDonald's people get that by insisting that every bit of the operation is the same everywhere. It is a pleas of indectri-

where. It is a plece of indoctrination which makes Militant look flabby.

Buster Cox, from Dulwich, who crewed in the Haymarket store after graduating from Manchester University with a maths degree, says the turnover of staff is constant, the discipline almost military, and the crew attitude no different from anyattitude no different from any-where else: getting by on as little work as possible. But be confesses that skiving is hard: the volume of business keeps you scampering around, the openness of the stores doesn't you scampering around, the openness of the stores doesn't allow for little hiding places, the store managers—of variable quality—were all scared of the district managers.

Managers, whether good or bad, tend to stay. Even after they get their own store, or down here. Set up by Michael

they get their own store, or cluster of stores, they carry on being trained—at the Hamburger University; and they carry on minding the store. Preston, who had his own store hy 19, spends, be says, 40 or 45 Saturdays a year working most of the day in stores round the country-cleaning rather than

ticians. Cross the Thames by the sub-

Cross the Thames by the subway to North Woolwich, and you are on what could be a set for a Labour Party hroadcast. The only plant of size that's working in the area is the Tate and Lyle refinery at Silvertown, a gasping, wheezing, steaming mouster which employs 2,050. Next door, in St Mark's Church, a Museum of Victorian Life is being established.

Everywhere are boarded-up

INDUSTRIAL RIDES (1): WOOLWICH TO BATTERSEA

# Oh, brave new, brash new London

This is Industry Year. It is also a century and a half since the publication of Rural Rides, William Cobbett's journalistic excursion around southern England. John Lloyd has just completed a series of industrial rides, covering ground from south London to the North East. His first began in Woolwich . . .

slouching about with Alsatians, or watching portable TVs in flaking sheds.

But this is a snapshot merely.

Steamship" offer striptease on ings, long floors—needed to fit Friday and Saturday lunch-round it. "The National West-times) and down to the Isle of minster Tower is already technically obsolete," he asserts,

The moving picture records that plans are afoot. Or, as Reg Ward

down here. Set up by Michael Heseltine when Environment Secretary in 1982, tha LDDC was given planning authority powers over the eight square miles, prompting Sir Robin Day, the broadcaster to describe it as an undemocratic quango." Ward is an enthusiast who progresses, it seems, by making

converts and connections. He challenged a group of bouse-builders, including Wimpey and Barratt, to build houses if leaning.

Can you imagine a British company president doing what Preston does? And bow many of you smiled when you read "Hamburger University?" In land. He wangled the land off short, if we are becoming a service economy, are we taking it seriously enough? Seriously enough to do it better than Mac-Donald's? Heseltine was opening the show house. He hacked a plan, now advancing fast, to build a £77m light railway linking Greenwich to the City of London. Reading in a magazine about the Dash 7 short take-off passenger plane, be challenged a group of civil

be challenged a group of civil engineers to construct a City airport; it's now being built.

"Nigel Broackes (the LDDC chairman, also of Trafalgar House) says of me: you're a dreamer with both feet planted in mid-air," says Ward, a little self consciously. His biggest dream, though, is Canary Wharf.

To get there, come out of the

But the Canary Wharf development will dwarf all that. Its ambition is to become a second City, growing fat off the cream of the financial services market which is expected to boom over the next decade. The decline of sterling post-

war pushed the City into new areas: since the 1960s the buge rise in the eurodollar market has made the City something of an offshore enclave for the US, attractive because of its high degree of banking confidentiality, its relatively benign legal system, its good telecommunications network and the synergy generated by the hugger-mugger nature of the City's various markets. Further — and of increasing importance way between its rivals, Tokyo and New York, means it is best placed for the round-the-clock trading that is now the fashion.

In the 1980s, new markets have developed fast: low interest rates bave meant a boom in new issues of bonds, particularly: hy developing countries; the lifting of exchange controls round the world has meant the creation of the "swap" market, where borrowers and lenders try to even out the bumps and troughs in their portfolios; and, still not taken off but expected, a boom in international equities traded round the clock. Come in again Canary Wharf.

The City is running out of space, says Sandor Csohaji, a Canary Wharf director and a Museum of Victorian Life is being established.

Everywhere are boarded-up buildings and lots, with Guarda and Centuryan Security signs up: the only inhabitants bulky men in crumpled uniforms

Wharf.

To get there, come out of the Canary Wharf director and architect, and is not geared to the Royal Docks Water Ski and cope with the rapid advances on to East India Dock Road, in telecommunications needed then down Cotton St and past to keep abreast of these markets Poplar High Si (where "The and the architecture—high ceil-

Courage and Vestey. Come out of the Isle along Narrow Street where Dr David chillingly for its owners, who have just got the hailders out. Canary Wharf will bave 8.8m

sq ft of office space, much of it in three huge towers. The backers, led by the property developer G. Ware Travelstead and Credit Suisse First Boston, will lay out £1.2bn on the project, and have offered to finance an extension of the light rail-way to the Bank to get their 50.000 people in and out.

But there ere people already in: the 14,000 "islanders" on the Isle of Dogs, the remnants of the old dockers' community round the Millwall Docks. The LDDC and Canary Wharf allowed themselves to be corralled into a week-long series of

public meetings.

Ward and Csobaji talked jobs,
hut were greeted with "We've
been told all this before," shouted an enraged elderly man at Ward. "Ain't f - - ck all 'appened." It was, in part, a demonstration of the fissures of class and class pride: in part the conservatism of a skilled workers' community which increasing emphasis on lower wishes to remain all of these ing the cost of borrowing and things, but which has lost the loss of community.

> registered unemployment is around 21 per cent; you can see it in the slumps of middle-aged men in greasy anoraks walking about the freezing estates. In Newham, the rate is 17 per cent:
>
> Talwanese have not yet reached: they took over the plant two years ago when, as Craft Chord, it was declining into near anarchy with 25 demoralised men barely making modern furniture. in Poplar, it's up around 30 per cent. It is in the same range in Greenwich, Deptford, Peckham, Bermondsey, Lambeth, even Wandsworth AEI went from

Owen has and Janet Street
Porter, the TV presenter,
had fine town houses which
the LDDC uses to entice
in the bourgeoisie, past the squads of hnilders gutting old warehouses to receive them; along the Highway past the News International plant in Wapping where six-foot stamping pickets glower through the spikes and barbed wire at someone else's future. Cross Tower Bridge and along Tooley Street and past the London Dungeon horror show, down Borough High Street, through the Elephant and Castle, down Walworth Road, along Albany Road and into Cobourg Road, where among decaying cars and snarling Alsatians you find

Family Tree. And the sound of

Family. Tree makes reproducfrom antique furniture. It's big for the trade, with 55 employ-ees; most of its competitors are working out of filthy rooms in Hackney, with half a dozen guys man, the rent man, trying to undercut the Taiwanese who are sucking up the cheap end of the market. John Freedman and Steven Buttligieg who things, but which has lost Steven Buttligieg, who run skills and work and stares at Family Tree, pitch their tables the loss of community.

They are not alone. In their own Borough of Tower Hamlets, registered unemployment is they took over the plant two

furniture down to a few lines, huying in from smaller companies to make a range: they carved out of the lumber of the Woolwich; snd so, from other old plant a production line and parts of old industrial London, some rudimentary showrooms, went Unilever, P & O. Spillers, got a US distributor, brought in

a core of skilled craftsmen from the East End and now have full order books. Hard work helped: so did the Greater London Enterprise Board.

Gleh, which will carry on after its parent, the Greater London Council, is killed off later this month, has tried to push back industrial decline. It has not succeeded, of course; hut in Family Tree (a paraded success: it has had some highly publicled failures) it points to how it might be done.

Money first: Family Tree has received £250,000 in tranches.

Expertise second: Freedman was a furniture consultant, son and

Expertise second: Freedman was a furniture consultant, son and grandson of repro makers; he and Buttligieg got a head start by bringing in a new polishing process. Gleh hired Schule of West Germany, a leading furniture consultant to advise on West Germany, a leading furniture consultant, to advise on
production techniques, and
halped with financial management. The little plant, all rusting corrugated iron and crumbling concrete, will make a profit
next year and might afford to
move to somewhere nicer. But
all around, says Freedman, tha
other little men crumble: "they
won't change, they won't market. They keep making the product and expect people to buy
it." Says Buttligieg: "Small men
can't go to trade shows, can't it." Says Buttligieg: "Small men can't go to trade shows, can't learn to sell. All they think of is getting the price down."
So, instead, they go down: Gleh says it proves the market, far from working to regenerate industry, works to destroy it. "Strategic intervention" is their philosophy: "The bopes of attracting industry back to London without it," says Rohin Murray. Gleb'a economic adviser.

ray, Gleb's economic adviser,
"are not too bright."

Upriver past the Vauxhall
Sainsbury's superstore where
everyone shops these days, and Sloanes ranging downmarket for bulk shopping bump into porters from New Covent Garden round the corner at Nine Elms, past the warehouses and photo-processing plants in the new industrial estate before Chelsea Bridge, and you come up to the squat square shape of Battersea Power Station. Go inside and see 1930s industrial architecture at its most selfconfident: a vaulting machine hall, mosaics in the control

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years to retire

mr John Broome won it in a competition: a competition organised by the Central Electricity Generating Board, to see who had the best idea for it. Broome's appeared best: he had something of a head start, it has been allen Towars. since be has run Alton Towers theme park in Derbyshire, and is adapting the idea for Battersea. Broome is going to make Battersea an extremely high-tech, mildly upmarket play-ground. He plans 40 restaurants. heatres, a computerised golf 'course," an interactive theatre where the andience plays parts, where the ancience plays parts, the latest in game machines. It will employ some 4,500 people. "It will be," he says, "ahead of the rest of the world." London now gets 20m tourists a year and tourism employs at least \$20.000 Londonous providing \$2.000 Londonous pr Tree, and enterprises like it, supported or not hy Gleb, are not, it seems, able to put down roots deeply enough in a soil now being ploughed and planted by those who want to serve finance, or hamburgers, or leisure. In the theatres and clubs and bistros and wine bars nen barely making modern fur-iture.

and boutiques and studios and converted warehouses London is rich and fun and exciting and as attractive as any city can be. Only out in the estates and the crumbling factories, in the smelly old flats and the bear garden schools does it feel cold, as if being left behind. Next: Felixstowe to Cambridge.

## FOR ALL the myriad words than anyone since Lenin in his uttered at the Soviet communist exile. Mr Dobrynin's appointment **Brokers make**

last week's reshuftle in the also fits into Mr Gorbachev's Kremlin power structure pro-vides an even clearer indication a hroad coalition of foreign of Mr Mikhail Gorbachev's real support for Soviet goals. Mr intentions. Ponomarev, once an official of By these appointments, Mr the 1930s and 1940s era Comin-

assertive of party control over military and cultural affairs in a way that could bode well for disarmament hut ill for human rights, and, for all his purges, careful not to tread too hard on party career sentitivities.

time Soviet ambassador to the US, to be a central committee secretary, one of the 11 men who run Soviet party policy entire career in a government ministry (foreign affairs) and a quarter of a century outside the country to be parachuted into so high a party post. He is expected to run the party's international department, re-placing the veteran party ideologue, Mr Boris Ponomarev,

This will blur the traditional

It will be a great advantage to the Kremlin to have a man of Mr Dobrynin's knowledge of the

tern and Cominform organisations, inevitably gave the party

Mr Gorbachev, by contrast, acknowledged to the congress the diversity of the euro-communists "grown on national soil." He said ha was ready to cooperate even with religious organisations
It looks as though Mr Gorba-

Almost as significant for Soviet foreign policy were some of the changes Mr Gorbachev did not choose to make last week. He left the defence minister in the unusual position of heing juntar as a candidate. that ecocomic reforms are not intended to bring political liberalisation.

uegotiatioos approach a makeor-break phase. His experience
will complement that of the
diplomatically greeo Mr Shevardnadze.

officials. To do so might have
upset Mr Gorbachev's own
tenure, and tha long game be
diplomatically greeo Mr Shevardomestic policy.

#### counter claims

The northern unit of the London stock exchange em-

hracing brokers in Manchester, Liverpool, Leeds and Newcastle Liverpool, Leeds and Newcastle upon Tyne—has opened a shop.

This contribution to wider share ownership so far stops short of selling shares over the counter. The rules do not allow that. But it rivals the efforts of London brokers who recently set up a sales unit insida a West End store.

The Manchester branch has moved into new offices in King Street in the city centre. As the

Street in the city centre. As the premises have a shop front it seemed a good opportunity for some experimental marketing. To help people make up their minds screens carrying prices and information have been installed, and there is a video explaining what the exchange

is, and how it works.

Paul Channon, the trade and industry secretary, opens the shop officially tomorrow. But already things are humming.
"We've had more than 100
people a day coming in," says
Ann Green, the manager. "Some heve heen checking share



von're not one of "A tenner—you're not one of these £30,000 a year whiz-kid bond dealers are you?

# **Men and Matters**

curious, and some bave come in wanting to buy. Our member brokers are delighted."

The brokers are now running a roster to serve the customers. When a potential customer comes in a quick telephone call brings the duty hroker round bot-foot. There is an interview room where business can be transacted in private. The northern brokera do not

wish their shop to be confused with the Over The Counter market which, they point out. does not possess a real counter to call its own.

#### Final whistle

Fresh from refereeing e foot-Fresh from refereeing e foot-ball match yesterday, bension funds market expert Michael Anthony, aged 44, told me why he has quit the managing director's chair at Touche Rem-nant Pension Fund Manage-ment after only six months, "I didn't feel the chemistry was right for me," says Anthony, who went to Touche Remnant with a seat on the board included in bis peckage. Before that he had spent two Before that he had spent two years with Montagu Investment Management, and 20 years with Management, and 20 years with
Metropolitan Pensions, making
a name for bimself in this
specialised field.
Anthony will walk straight
into another job, however, as
deputy managing director of
Henderson Pension Fund
Management.

Henderson has out-performed all the other UK independent managers of pension funds in the past year, increasing the value of funds under its management by 97 per cent, and

prices, some have just been his eye on Anthony ever before Anthony joined Touche Remnant, and says: "We ere very glad that be is joining us eventually."

#### Heave to!

There's a flavour of Bluebeard and Captain Morgan about the job title just given to James

He has been appointed Pirscy Prevention Officer for Compsoft a leading British producer of microcomputer software.
The company has discovered widespread illicit copying of its products. Thomason's job is to prosecute suspected "pirates."

He reports early successes.
"Informers are revealing the identities of software pirates..."

As yet there are no plans to hang offenders in chains in the tidal Thames in the old tradi-

#### High flyer?

tion.

Anyone who is a sound adminis trator, is interested in the future of aviation and fancies a prestige job based in Paris with salary paid in currency of the appointee's choosing, is advised to write at once to the Federation Aeronautique Internationale Paris beadquarters.

After a 10-year stint Bertrand Larcher, the FAI director general, has resigned and the world of avlation is looking for the right person to take up his

wings.

Both Larcher and his pre-decessor hava been Frenchmen aviators—although Larcher has no claim they will cure you of its client base by more than 50 become an enthusiastic balloonlst receotly.

Colin Day, managing director of the company, admits he bad

has tremendous prestige as the world body that hrings together aviation sports, sets standards and controls and certifies aeronautical records. There is a strong feeling among membera (outside France anyway) that the job should go to a non-Frenchman

next time round. The serving British vice president of the federation, Frederick Marsh, whose bobby is air racing, is leading e drive to encourage British men and

#### Touch of ginger

vomen to apply for the job.

A debete on bow to prevent travel sickness is under way in the correspondence columns of the Pharmaceutical Journal. One writer even claims the efficacy of his drug is endorsed by the Royal National Lifeboat Institution.

But what caught my ettention is a claim that ground ginger—
the kind you might sprinkle on
melon—is often efficacious too.
Alan Bnrroughs, technical
director of Phillips Yeast Products, tells me his firm was alerted by an article in The Lancet in 1982, when American medics described experiments on students who had volun-teered beceuse they were so susceptible to motion sickness.

The blindfolded students were
twirled in e revolving chair, to
compare the efficacy of ginger with Dramamine, an anti-

They concluded that ginger was better than the drug at suppressing queasiness. Ginger is a time-honoured reetment for flatulence and the medics thought its role might be simply to mop up agents which can trigger

Now Phillips is selling pure ground ginger in capsules for people to take before starting a Both Larcher and his pre-decessor have been Frenchmen ing sold without prejudice, as and administrators rather than the lawyers say. The firm makes



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FOREIGN AFFAIRS

# Spain against the mainstream

By Ian Davidson

Western

TEN DAYS AGO, Denmark voted in a referendum on the reform of the European Com-numbry treaties. The day after tomorrow. Spain votes in a referendum on whether to stay in the Atlantic Alliance. This crush of referentiums may look like a curious coincidence, a statistical aberration, but it is rather more than that at the risk of securing a shade por-tentous it could be said to be the symptom of 2 shake-out in the political relationshops be-tween the countries of western Entrope, and of the powerful national emotions aroused by the challenge to traditional

In Denseark, there have long been serious reservations about the anderlying political implications of the European Community, in particular about the assumption of the founding fathers that the Community as Spain does not feel directly threatened by the Soviet Union. The serious that the event, the military threat, according to this line of reasoning, it might be aimed at the two enclaves conducted a reform package of Ceuta and Melilla on the which, in reality, is rather that the two enclaves of Ceuta and Melilla on the sound of the foundation is partners have made it clear that Nato's responsibilities will not In Denmark, there have long

in Spain the position is analogous, but it is far from certain, on the evidence of the opinion polls, that Wednesday's referendum will produce an analogous result. In opposition, the socialists campaigned against Spanish membership of Nata, which dates back less than four varies in office Mr. than four years; in office, Mr Felipe Gonzales, the Prime Minister, has changed his mind and the policy of his Parha-

interventary

Sophy: "The loss to be a first the loss that loss that loss the loss that loss that loss the loss that loss the loss that loss that loss that loss the loss that lo

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mentary party.

At does not look as though he has changed the minds of his grassroots supporters. If Mr Mantel Frags Iribarne, leeder of the right-wing Alianza Popular, persuadec his supporters to abstain, the outcome could be

abstain, the outcome could be negative, measy and inclear; a No vote on a low tirn-out. Indeed, even a large No vote on a heavy turn-out would still be messy and inclear. Spain joined Nato for rather fuzzy political motives: in parallel with its quest for membership of the European Community, membership of the Atlantic Alliance was seen as a political symbol of its escape from the Annex was seen as a pointent symbol of its estable from the isolation of the long Franco era, a rapprochement with the rest of western Europe.

Some argued that Nato membership would help to take the arguer out of demostic



Nato's responsibilities will not be extended to the southern shores of the Mediterranean.

shores of the Mediterranean.

If Nato does not do all that much for the military security of Spain, it is also argued (most recently by Mr Gregory Treverton in e new Adelphi paper on the subject") that Spain does not do a lot for the military security of the rest of Nato. It is far from any probable front line, its defence spending is low by most Nato standards (only 2.4 per cent of GNP), and its army is under-equipped and unimpressive. On purely military impressive. On purely military grounds it may not be thought enormously significant whether Spain stays or leaves.

I take a rather different view. Spain is important to Nato on military security grounds, and Nato ought to be important on military-security grounds to Spain. If there is a serious military threat to may country in western Europe (sey. West Germany), it must leopardise the security in-terests of all countries in western Europe. Ireland would

Conversely, the commitment of Spain to the Alliance must the army out of domestic strengthen the Alliance's deterpolitics, by giving it a proper rent value. It may only be e
job to do; but strictly military amail strengthening, given its to face once more with the US,
security considerations were distance from the front and the rather than associated with

Moreover, Spain's departure from Nato - the first such defection in 37 years — would be a serious political and symbolic blow to the Alliance, a more serious repudiction than if Spain had never joined. Yet the paradox is that

Spain's departure from the Alliance would not satisfy the domestic political urges of the anti-Nato lobby in Spain, and would at the same time conflict with a pro-European posture which commands widespread support on all sides. Just how widespread it is may be judged by the serenity with which the government was prepared to accept revisions to the Rome Treaty even before securing its long-delayed entry to the

As far as I can make out, the real motivation of the anti-Nato lobby is anti-Americanism, a resentment based partly on the perception that US indif-ference to authoritarianism and its desire for military bases in Spain helped bolster the Franco regime. Under the most recent agreement of 1982, US use of the four main bases (Rota, Torrejon, Zaragoza and Moron)
has been circumscribed. But
there is little reason to expect
that the Americans will be western Europe, Ireland would thrown out entirely, whatever not be protected by its the upshot of the referendum, neutrality, nor would Spain by the Pyrenees.

Conversely, the commitment (£76.2m) of military credits each year.

weakness of its forces, but other European countries in a deterrence is most valuable at the margin.

Moreover, Spain's departure from Nato - the first such It does not sound very dramatic, and it may not be very dramatic, but its signific-ance lies in the political deterfrom its European neighbours for so long should take a few years to establish a new, demo-cratic and coherent foreign policy posture.

In theory, Spain might be able to square the circle of its conflicting objectives by joining the Western European Union, the exclusively European defence organisation formed by Britain and the Six; in practice, this would be a tricky option.

debate, was the recent agree-ment between France and Ger-

German solidarity, and even the wording is similar to an an-

alogous agreement between the Nato countries.

towards the political construc-tion of Europe, notably in de-fence, and not only towards the

Mr Jacques Chirac,

The fly in the ointment is Article IV, which specifies that the member states "shall work in close co-operation with the North Atlantic Treaty Organisation" and will "rely on the appropriate military anthorities of North for information and of Nato for information and advice on military matters." It is true that France left the military side of Neto in 1966, but at least it remained in the Alliance; it would be very much more awkward to edmit a new member which had just repudiated the whole enterprise. The predicament of the

Spanish government is that it is being forced to contemplate departure from Nato, just when the political tide elsewhere in western Europe is running atrongly in the other direction, towards more defence and security co-operation. One of the components in the Euro-pean Community reform package is a strengthening of foreign policy co-ordination among the member states, with the most significant innovation being e commitment to "closer co-operation on questions of

but at least it is a rhetoric which is a far cry from the tra-ditional shibboleths of Gardist

dogma.
Moreover, he makes some specific recommendations which if implemented, would carry France a long way from its established nuclear doctrine towards e closer alignment with Nato doctrine. According to Gaullist orthodoxy, which has largely been followed by President Mitterrand, France has rejected the Nato policy of "flexible response," under which tactical nuclear weapons would be used to avert conven committed to the forward defence of Germany, does not believe in nuclear weapons for fighting battles, and describes its shorter-range weapons not But in his Le Monde article.

Mr Chirac talks a very different language. He recommended production of neutron cal" weapons, decoupled from the strategic systems, to be used on the battlefield to mination required to push it through against the resistance destroy enemy military units.
The implication is that France
would be much more com-More striking evidence of the growing saliency of the security dimension in the European mitted to the forward defence of Germany on terms analogous to those of Germany's other

many, under which President Mitterrand undertook to con-France should re-join Nato's integrated military framework; sult the German government be-fore using sub-strategic nuclear but the thrust of his article is that France should work towards an integrated Euro-pean defence, which in practice weapons on German territory.
The commitment is hedged around with caution—" within the limits imposed by the speed of decision-making"—but it is a striking concession to Franco-Comman religiously and according to the content of the might amount to much the same thing. "There is no security for France without the security of her neighbours," he

The significance of the Chirae article is not that it advances revolutionary new ideas, but that it builds on and extends Party and oddson favourite to be Prime Minister after next Sunday's elections, would go much further. Writing in Le Monde recently, he said: "It is the innovations in French de-fence policy—the Rapid Action Force, Franco-German military co-operation - which have characterised the Mitterrand

Spain's departure from Nato construction of an economic Europe, that our efforts should be directed... This quest, in the company of our partners, for e European defence personality, could only reinforce the effectiveness and the coheston of the Alliance. It is in this directiveness. would be e set-back for Spain, for Nato and for Europe. A set-back, but not a tragedy; it might complicate, but it could not reverse, the growing realisation that foreign policy, defence and security must receive greater attention in the construc-Alliance. . . It is in this direc-tion that we should try to de-velop, by discussing it with our partners and seeking ways of thought and action which would become progressively united." tion of the European enterprise.
\* Spain: Domestic Politics and Security Policy, Gregory F. Treverton. Adelphi Papers 204 £3.50. IISS, Tavistock Street, This may be just thetoric; London, WC2.

## Lombard

# Only the clever get to work

By Nicholas Colchester

and, one suspects, the majority of the readers of this news-paper, believe in their bones that full employment will some-how come out in the wash if flexibly, the tax regime does not discourage entrepreneurs, and inflation does not obliterate the price mechanism. They have faith that the market will cope with the job-saving impact of the micro-circuit just as, once before, it coped with the effects of the steam engine and the industrial revolution.

At the recent annual meeting of the UK-Japan 2000 group (a sort of Anglo-Japanese Konigswinter conference), Professor Ronald Dore, of the Technical Change Centre, produced a depressing but convincing argu-ment why this faith may be

The first strand to his argument is that one-third of the gains of productivity offered by new technology have been taken in the form of increased leisure rather than increased output of cooks and corpies.

of goods and services.

Nothing wrong with that, except that this leisure is not being distributed evenly. The cleverer, better educated, more binds of the control of the control of the cleverer. highly qualified in society are working as hard or harder than in the past, partly because they remain in short supply and party because they do not desire more than e certain amount of leisure. Meanwhile e disproportionate share of this technology-produced leisure is passed down in the form of unemployment. Leisure used to be a measure of status: today it is smartest to be indispens-

ably busy. Why doesn't the free market compensate for this unwanted handing-down of leisure? The second strand of the Dore the is that technology has created relatively rich societies which feel morally obliged to provide

THIS BRITISH Government can contribute to the economy In the non-automatable ser vice sector, the value of a job tends to rise pari passu with GNP per capita and therefore remains above the welfare level (Hence the perverse resilience of the job of bootblack.) But in the manufacturing sector, value-added is defined by the cost-perwidget of the competing machine. For an ever increasing number of unskilled workers, this value-added will not be as

great as a welfare payment.

Professor Dore wondered gloomily whether we were "doomed, not only to continuing unemployment, but unemployment increasingly concentrated among people least able to cope with it." Yet his thesis does suggest solutions.

It emphasises the importance of avoiding "poverty traps"—of seeking to devise a system of taxation and welfare which will protect the unemployed but will

protect the unemployed but will allow them e net addition to their standard of living how-ever unremunerative the work they turn their hand to. Wel-fare payments for everybody, whether in work or not, would be an extreme example of this. More topically, it stresses the importance of education and training in solving unem ment. The more people there are who can add greater value than machines, and the flatter the "skills profile" of the population, the higher the proportion of people who can add more to the economy than the economy is ready to provide to them. It is the level of education which allows e country to raise the level of its welfare safety net without eclipsing jobs in

the process.

One strong impression left by the UK-Japan 2000 conference was that unemployment in Japan is low because of the stigma attached to welfare and because of the determination of Japanese state and industry that welfare support at a level people be trained up to the above the edded-value per capita point of usefulness to the that e large, relatively unmodern world. It is not a determination found in Britain.

#### A licence to make money

From Mr J. Jerram Sir,—The Government's pro-gramme of transferring public assets to the private sector has excited a certain amount of controversy, both as to ideology and as to price. There is one such transfer, in progress at the moment, which perhaps surprisingly, has received less than its share of comment.

The Bank of England expects to grant licenses to 29 institu-tions to operate as primary dealers in the market for government securities. So far as I am awafe, however, the price at which these licences is to be granted has not been set, or, if set, has not been disclosed. On the other hand, it is evident that such licences have e subthat such licences have a sub-stantial capital worth; the right to make future profits in the market for government debt is clearly a valuable asset Indeed, by analogy with the equity market, the amount involved might be some hundreds of millions in the aggregate.

It is a matter for judgment It is a matter for judgment whether 29, or perhaps some lesser figure, is the ideal number of participants in the market. It would, nevertheless, be interesting to see how much the Chancellar could raise by way of contribution to his private and contribution were the number to be set somewhat leases and compacting hide lower, and competing bids invited from qualifying firstitu-tions. The ideological satisfac-tion of putting market forces to work could then be supple-mented by a useful addition to his revenues.

4 Bancroft Way, St Albans, Herts.

#### Indonesia's economy

From The Minister of Planning, Republic of Indonesia Sir,-I refer to two recent articles commenting on current economic developments in Indonesia. The impression created in both — that of a country struggling to get by in the face of grave economic distinction of the presents an incommentation of the country struggling to get by in the face of grave economic and incommentation of the country and incommentation of the count difficulties - presents an in-

accurate picture of present-day economic conditions in Indonesia ("Indonesia suffers economic setback as off prices slump," January 16, "Fairchild Semiconductor to shut Indonesia plant," February 4.)

It is true that economic growth will be slower during the current fiscal year as a result of the decline in world oil and commedity prices. The diversity of the country's nonoil economy however, and the strength of its exports—including technology-based products— Sir.—I was delighted to read are sufficiently well-established William Packer's excellent reto allow the Indonesian view (March 4) of Ronald interviewed e number of HGV

# Letters to the Editor

mic growth and development has always been predicted on sound and prudent fiscal management. President Soeharto's 1986 state budget, calling for Indonesie's first reduction in development spending in more than a decade, should send a clear signal to the international banking and investment community that Indonesia has not, and will not, spend beyond its

means.

The Indonesian economy will continue to grow during 1986, enabling Indonesia to create employment for the country's 1.8m new job seckers entering the job-market for the first time this year — a figure somewhat more manageable than the light inaccurately cited on January 10.

The February article discusses the difficulties faced by the Fairchild plant. Rather than placing the emphasis on alleged "bureatteratic delays" and "inefficiences" and a gloomy forecast of Indonesia's prospects as a high-tech exporter, it should be recognised that the semiconductor industry is depressed throughout the world pressed throughout the world and that Indonesia has not been immune to this economic trend. Concurrently, there are a high tech number of other high-tech industries which are growing soundly in Indonesia, and significant strides heve been made in boosting the speed and efficiency of both our public and private sectors.

As a developing nation, Indonesia is mindful of the special effort required in the face of present difficult inter-national economic conditions. We remain confident of our ability to meet the challenges that lie ahead, and we hope that the well-reasoned and determined approach to econo-mic management, which has served as the foundation for our government policies and our private sector development, will not be overlooked in your reporting of Indonesian econo-

Contracting to

Jakarata, Indonesia.

J. B. Sumarlin.

From the Director, Imperial War Museum

economy to ebsorb this slowdown without the disruption to
which your articles allude.
Indonesia's record of economic growth and development
has always been predicted on
the put a gless upon his statement that we now only have two small galleries to serve one of the largest and most remarkable collections of British 20th-century art. That statement is true, but the reason for it is that we are currently having to close our main galleries in order to rebuild end expand them. One of the main aims of our redevelopment is to provide edequate art galleries for the first time in the museum'a history, but it is unfortunately the case that in order to get more we have to put up with less for the time being.

(Dr) Alan Borg. Lambeth Road, SE1.

Support for

From Mr J. Dunlop Sir,—Recently in the Com-mons, while defending the Government's handling of Bri-tish Leyland, Mrs Thatcher pointed ont that tax payers' money equivalent to £200 per household had gone into British

The correct thing therefore for the Government to do now is to issue 200 one pound shares or 1,000 twenty pence shares to the head of every household in the country and let the house-holders decide what they want to do with the company. Market forces will then sort the matter out pretty quickly. John P. C. Dunlop. 17 Randolph Crescent, Edinburgh.

Better off on the dole

From Mr D. Franklin Sir,-The National Institute says (February 21) that unem-ployment could be reduced by im and it would be useful to raise income tax.

Although there are 2.4m more people unemployed than in 1971, the number of unfilled vacancies is higher. More than 41 per cent of adult employees earn less than £120 a week and they are discovering that it is not worthwhile earning a taxed

drivers on their earnings. One commented that his basic 39 hour week earned him £105. He better off on the dole.

When the tax "threshold" was introduced it was equal to average earnings. To-day these are 2178 per week yet the married man/two children threshold is 567 and this is driving an increasing number of taxpayers into voluntary unemployment

Unless the Chancellor raises the threshold dramatically, unemployment will increase. After employment will increase. After all, he stated in the last Budget that "too many people start paying tax at too low a level." If he cannot persuade the gentlemen at the Treasury of the wisdom of his own logic, he should suggest that their salaries and pensions be index linked at the identical percentage rise level of the threshold value at its introduction date. D. G. Franklin.

121 Kennington Road, SE11.

**Business law** studies

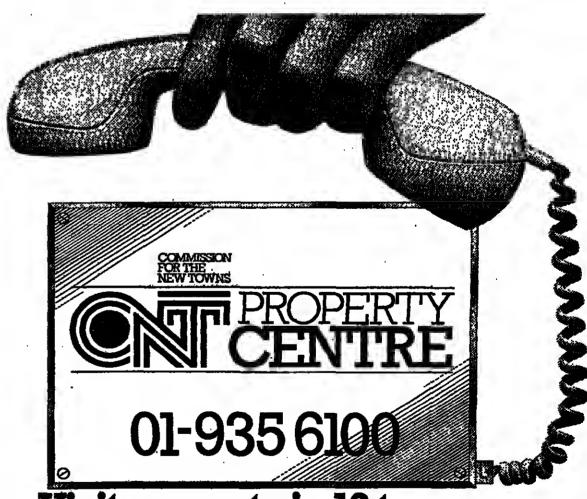
Frog Mr T. Wolstencroft Sir, - Stephen Hall-Jones (March 6) advocates various (March 6) advocates various measures to close the gap between managers and their legal advisers. Such remedial action is obviously vital for those already employed in industry and in the legal profession but preventive medicine is also essential for future generations of managers and laurers. managers and lawyers.
Students on business studies

and management courses should be aware of the caps bilities and limitations of con-tract law as a device to expedite resolve disputes rather than be simply exposed to recital of the doctrines and rules of the subject. Undergraduate lawyon should all have an understand ing of commercial realities rather than simply digesting the theories of other discrete business disciplines.

The existence of degree courses in business law demonstrates a commitment to tackle the problem. The continual evaluation of the legal educa-tion provided in higher education for our future Ine managers is another encouraging sign. The upsurge of courses in communications skills for both law and business studies students further emphasises the seriousness of the attempts be-ing made to close the gap be-tween different functional areas

in business. Such pre-emptive educational measures should eventually im-prove the relationship between industry and the legal profes

Tim Wolstencroft. (Principal Lecturer in Law). The Polytechnic,



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# FINANCIALTIMES

Monday March 10 1986



Terry Byland on Wall Street

#### Municipal bonds face tax fears

A NOTABLE exception to the generally exuberant US credit markets over the past two months bas been the municipal bond sector, which bas been deeply troubled by some nf the implications of the House Tax Reform Bill - or HR 3838 as it is known nn Wall Street.

The flow of new municipal bond paper bas been severely reduced hy worries over which types of bond may lose their tax-exempt status if the proposals become law.

January volume of new municipal paper fell to \$1.45bn, the lowest monthly figure for a decade, and February's total is believed to be little better. Some categories of municipal debt, such as bealth care and housing bonds, have disappeared entirely from the new issue lists.

sell new debt with a completely unqualified opinion from the lawyers, parties to the trade receive confir-and even these issues have had to mation through a computer printoffer investors a 25-40 point pre-mium over comparable pre-1986

HR 3838 plans a reclassification of state and local debt, under which those deemed "ineligible non-essen-tial function bonds", will be denied the tax-exempt status under which the municipal bond sector flour-

isbes and, indeed, exists. Others, deemed "eligible non-essential", and including multi-family housing, airports, hospitals and similar capital intensive projects, will only be permitted as tax exempts beneath a total volume set

state by state. The uncertainty has also caused a significant deterioration to the return on municipal bonds. Yields have fallen by 50-70 basis points since mid-January and the relative return against US federal bonds has also fallen steadily.

Over the past 12 months prime

quality 20-year general obligation ing director of Mr Rupert Mur-doch's News International, over its dispute with the UK print unions. He is quite clear that the company plant almost 630,000. The finishing municipal bonds have traded at an average of \$1 per cent of comparable federal or corporate securities, according to Mr James Bolin of Smith Barney, But the ratio shrank to only 72.9 per cent last week despite a sharp sell-off in revenue

The deterioration is less marked clear NI's absolute intention not to completion on a total of 539,820 in electrical bonds - the tax ex-Graphical Association and Sogat '82 inside the company's new plant at empts yield about 81 per cent of similar corporate or taxable bonds. against just over 80 per cent at the

The present situation is doing no good to investors or to the municipal borrowers. US cities and states have an urgent need to maintain replace or rebuild outworn roads, hridges and similar public facilities, as any taxi passenger on Fifth Avenue can testify.

Yet the present spate of uncertainty is sbutting them out of the credit markets, just when the US corporations are falling over themselves to refinance long-term commitments on better terms as bond yields plunge to levels not seen in New York for several years.

There is a substantial body of US investors, both private and institutional, which bas always responded to the active secondary and new issue markets in tax-exempt issues. Pension funds and private investors bave traditionally been attracted by a steeper yield curve in municipals than in treasuries, which has encouraged them to concentrate their investment on the 20-year plus

But the developments of the past two months bave distorted this comfortable arrangement. Spreads between long dated and one year maturities have been nearly balved from the 400 plus basis points seen during most of 1985.

It is bard to see just how the agonies of the municipal bond markets can be eased. The original effective date for HR 3838 came and passed on January 1, leaving the proposal still on the legislative stocks. Future passible effective dates are July 1 this year and January I next year. If no date is set. then the market will continue in its present bind, commented Mr Gary Meserole of Prescott Ball and Turben.

In other words, there will be a substantial demand for seasoned municipals as funds lock in their tax-exempt yields for as long as they can. This can only lead to a deepening of the trends already visible as municipal bond yields fall further, perhaps just at the time that treasury yields are bottoming out. The effect on yields will be all the greater because new issues will remain scanty. Only those willing to fund under the pressures of uncertainty, and in pay a premium for their courage, will offer new bonds. If HR 3638 becomes law, then the changes in the market for municipals will be far-reaching and, presumably, permanent. The prodeepening of the trends already vis-

presumably, permanent. The proposed restrictions on categories en-titled to tax exemption, taken together with the volume caps on non-essential exempt issues will mean a permanent reduction in the size of the market.

Alan Cane looks at the Cincinnati all-electronic securities system

# A model for world stock markets

ONE DAY last week the New York the exchange, says the change of a fail-safe machine to which IBM Stock Exchange dealt in some 154m name is still under consideration by Stock Exchange dealt in some 154m name is still under consideration by shares; the Cincinnati Stock Exchange, based in Ohio, dealt in computer system literally is the ex-252,000. "In terms of volume, its change, and the terminals located market share is very, very small in our member firms offices are the any which way you look at it," an spokes to the hub." NYSE official said dismissively.

But Cincinnati is sending shivers down the spines of senior stock exchange officials in every continent. What makes it more than just a little regional organisation, the smallest of the seven stock ex-changes in the US, and what gives it its peculiar importance to other markets around the world is its mode of operation. It is the only allelectronic securities exchange in existence and, as such, a model for wbat many expect stock markets everywhere will look like within a

short time. There is no trading floor. Its member firms can be located anywhere in the US and they deal from their own offices using computer terminals. From the moment they press the go button, their bargains are handled automatically. Within three seconds of a transaction both parties to the trade receive confir-

out in member firms' offices. In recognition of this geographical independence of any central market the Cincinnati exchange has just secured the authority to change its name to the United States Stock Exchange, a somewhat grandiose title for a market with only about 85 members, even if it is

BY PHILIP BASSETT IN LONDON

sides combine finally to proclaim there are no winners and losers.

Not so Mr Bruce Matthews, manag-

has won: "I think they've lost it:

have the print unions the National

In the dispute, more than 5,000 printworkers have been dismissed

over NI's move to Wapping, which

took place six weeks ago.

Mr Matthews claimed that the

company was having a growing suc-

cess in producing its newspapers at

Wapping - its titles are the Sun. The Times, the Sunday Times and

the News of the World (a mass-

circulation Sunday newspaper).
"It has got better and better," Mr

Matthews said in his office in the

Wapping plant, from where the pickets - beyond the razor-wire

fencing and ranks of police – could be heard shouting "Scab! Scab!"

The print unions bave insisted

that there are serious production

difficulties at Wapping. Mr Mat-

thews read out the print figures for

last Friday's Sun, Britain's largest-

Quite definitely."

pressures on NL

It costs about \$6,000 for a seat in Cincinnati compared with about \$400,000 in New York. The Cincinnati exchange has trading privi-leges in about 1,200 stocks and is looking for the same in all listed

Now through an agreement with the UK software house Software ences, a subsidiary of Thorn EMI, the Cincinnati system – called National Securities Trading System or NSTS - is available to European exchanges and larger broking bouses, offering a quick hop into the electronic tomorrow.

Put crudely, for about 22m (\$2.9m) in hardware and software an organisation can buy itself a stock exchange.

Software Sciences is already heavily involved in the computerisation of the City of London in preparation for the "Big Bang" of dereg-ulation in October this year through its leadership of a consortium of broking houses installing a US-writ-ten computer package, Colt, for inventory control. The Colt consortium includes Barclays de Zoete Wedd, County Bank, Cazenove, James Capel and Kleinwort

A key issue is the reliability of the computers involved. Both NSTS growing at about 30 per cent a year. the computers involved. Both NSTS Mr Richard Niehoff, president of and Colt run on Stratus computers,

Management claims victory in

ures are up on a year ago, when the papers were being produced at the company's Bouverie Street site, off

time for the print run, at 3.50 am,

was at least half an hour earlier

With such figures Mr Matthews

was dismissive of the unions' ef-

forts to disrupt production and

eting interference with the trucks

leaving us is any problem." An in-

ternal report by Mr Jack Woollard,

night circulation manager, on Fri-

good production run, enabling all

vehicles to depart to scheduled

. Mr Matthews admitted that

intimidation of street sales, espe-cially in London, and the theft of

bundles of NI papers was causing

problems - but he said they were

distribution was patchy in the first

week of Wapping production, but said that a recently completed sur-

vey by the company of its 7,000 re-

tail distributors showed problems

There are, however, pressures on

NL Some journalists have resigned

and others are clearly unhappy.

Talks are being urged by TNT lorry drivers and electricians, members

marginal. He acknowledged

Murdoch newspaper dispute

IN MOST industrial disputes both day-by-day fluctuations but the fig-

In an interview with the Finan- than Bouverie Street's best Similar

cial Times, Mr Matthews made figures for The Times showed early

stressed his hopes of reaching a set-tlement and indicated some of the eting interference with the trucks

for going on strike, after a hallot, day's production bore this out. "A

Mainland European exchanges are extremely interested in such systems, concerned that what international business they bave could be siphoned off to London after the Big Bang. Mr A. R. Brown, Soft-ware Sciences' marketing director for the finance industries, reports strong interest from the Netherlands where both the Amsterdam exchange and the European Options Exchange are looking for new technology to improve their compet-

For the larger broking houses Mr Brown sees NSTS as an opportunito offer "one stop shopping" to their institutional clients.

The NSTS system provides the retail broker with, for example: Individual price watch facilities the broker can set up a screen specially tailored to the securities in which be is interested. As the prices change, so the screen is updated. A stock is highlighted on the screen for about five seconds when a price

changes.

• Public limit order book display orders can be added to the system at a particular price and will stay there until the stock reaches that price, when the bargain is executed formation and trading systems at der book display gives dealers an edged the worry. This is very much idea of the demand for a particular a concern of ours, bow much to do stock at a particular price.

such comprehensive facilities. ing with a small computer-based These are uncharted waters at

are staffing the Wapping printing.

The electricians were a key part

of the company's pre-dispute strate-gy. "We made no secret of the fact that we did have defensive plan-ning." Mr Matthews said. "We took

that decision in February 1985 (11 months before the dispute began).

Other pressures reflect the im-

pact of the campaign led by Ms

the dismissed workers.

way towards a deal.

Reuters proposes to launch the Instinet automated dealing system, which lacks the back-office capability and information systems capability of NSTS, and the London exchange is proceeding with its own automated evecution facilities Sael and Blox to add to its Seaq electronic information systems.

What is giving senior executives in traditional exchanges sleepless nights, however, is the capacity of NSTS to take decisions out of the bands of the central exchange altogether.

. In London, for example, there is much debate about the extent to which market makers should be allowed to deal against their own book as opposed to the open market and the level at which automatic execution should be allowed. A company with NSTS would be effective ly a mini stock exchange, free of regulation and with significant potential to take business from the main exchange. Several big compa-nies using NSTS could threaten investor security because of their ef-fective freedom from market con-

Mr Michael Newman, bead of in automatically. The public limit or the London exchange, acknowlourselves and how much to leave to No existing system in Europe has other people. We should, perhaps make a stronger declaration of our The Milan bourse is experiment- intentions in automated execution. dealing system but it has no auto- present

# **British Gas** sell-off delayed

By Dominic Lawson in London THE BRITISH Government bas

been forced to rearrange its timing for the flotation of the British Gas Corporation to avoid a potentially chaotic clash with the first day of the City of London's "Big Bang" deregalation on October 27.

First dealings in British Gas,

planned for that day, have been de layed. The prospectus will probably Brenda Dean, Sogat general secrebe published in the third week of tary, to win over public opinion for November, when the new market November, when the new market systems have settled down. Dealings will probably start about two

Mr Matthews peppered his replies with references to "criticism" and "attacks" on the company. He The Government is likely to sell hit back with scathing remarks about Sir John Harvey Jones, chairequity to the value of about £7bn (\$10bn) and insist on a subsequent issue of £2bn-£3bn of British Gas man of ICI, who last week spoke debt, the proceeds of which would strongly against NTs actions over go to the Government. At present British Gas has no net borrowings. Wapping. Mr Matthews pointed to the unprecedented number of re-

The Government intends to saddundancies at ICI during Sir John's dle it with the debt probably as a way of obtaining the maximum pro-Principally because of these presceeds from the sale. It is also aware sures, talks with the Trades Union Congress (TUC) will resume this week after a further secret meeting that a debt-free British Gas Plc last Thursday night. The two sides are seeing if they can edge their

might be disproportionately pow-erful in the energy business.

All other major energy groups carry a relatively beavy burden of borrowings.

For a settlement to the dispute NI bas earmarked some £14m (\$20m) British Gas shares to the value of about ETbn would be offered initialfor hardship payments. It is to offer retraining of some former staff as ly. This would represent 100 per cent of the company's equity, to be part of its talks with the TUC. But paid in instalments. At the same Mr Matthews said that many of time the company would have a retime the company would have a rethose dismissed by the company had already started to take jobs quirement to pay the Government up to £3bn in new debt.

One option is that debt would become payable in full to the Government in the months after the initial float, at a time when there was a gap in the Government's gilt funding programme.

# Lac told to give up gold mine

Continued from Page 1

Hemlo gold rusb in the early 1980s when Corona, then a junior Vancou-ver-based resources enterprise, shared its exploration results with geologists employed by Lac, apparently with a view to a joint venture.

Corona was negotiating to buy mining rights to the Hemlo proper-ty from Mrs Lola Williams, the widow of a prospector who bad done some work in the Hemlo area 25 years earlier. But Lac secretly made her a better offer, which was

Coroon argued during the trial that Lac would not have appreciated the value of the land without miss Corona's claim. Analysts exaccess to Corona's drilling samples and other confidential information.

The judge dismissed Lac's argu-ment that the information it had used in negotiations with Mrs Williams had been published either by Corona or in mining industry news-letters. He concluded that "Lac and Corona owed fiduciary duties to each other to act fairly and not to act to the detriment of each other. and that Lac was in breach of that duty by acquiring the Williams

property."

Ironically, Lac's share price rose on the Toronto Stock Exchange last Friday, while Corons's dropped significantly as rumours swept the market that the court would dispect a sharp reversal when the marTHE LEX COLUMN

# Wall St floats on oil

To listen in to Wall Street these days is like eavesdropping on a bunch of Texas wildcatters who have just discovered an oilfield that is bigger than anything in their greediest dreams. Oil has become the lubricant of virtually every market assessment. Brokers who had never beard of West Texas Intermediate crude last summer are now spending far more time analysing

Opec politics than the US money supply figures or corporate profits. The US financial markets, given a further lift by last Friday's discount rate cut, sense that they are crossing one of those dramatic wa-tersheds which will be marked indelibly on the investment charts for years to come. Only six months ago conventional wisdom was that oil would never fall below \$20 per barrel; last week the spot price was trading under \$12 per barrel.

#### Excesses

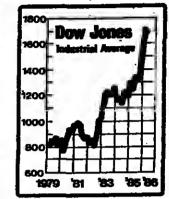
Up in Boston, where the sky never looks as blue as its does from Merrill Lynch's Manhattan bead-Merrill Lynch's Manhattan bead-quarters, the big fund managers are nervously scanning the horizon for would join in the round of official storm clouds. With a truly Bostonian sense of guilt they are worried that the market is gorging itself on a diet of unrestricted good news with no thought of the morrow.

The meteoric rise of the Dow Jones Industrial Average, which carried it from under 1,300 last September to the 1,700 level with scarcely a pause, has left money managers breathless. January munagers breathless. January munagers breathless. tual funds sales of \$15.3bn exceeded total sales in any full year before 1982 and money continues to pour in at a rate of \$500m a day. Fund managers find it hard to be-lieve that they can live up to these

expectations, though the market, as measured by the Standard & Poor's 500, was up 7.4 per cent in the first two months of 1986.

Although the market largely ignored last week's dip in the US in-dex of leading economic indicators for the month of January - the first drop in six months - there is a question mark over the US economy reinforced by the February unemployment figures. There is also the troublesome

Gramm-Rudman deficit reduction dragged along in the slipstream of shocks.



law, undouhtedly a power behind the market recently, it is far from obvious that this measure will cure the US Government's voracious appetite for debt.

Moreover, the slide in the US dollar raises the question of bow much longer foreign investors will be prepared to finance the US Government's overspending. The US bond interest rate cuts in the G5 countries. But it is clear that if the Federal Reserve is to maintain confidence in the dollar, its freedom for action to stimulate the domestic economy through interest rate cuts remains limited to following such leads as West Germany and Japan

are prepared to give.

Despite these negative points the framework under the 3½ year bull market remains in place. The fourdation of the present structure has been the shaking out of the inflation premium in bond yields. It took Wall Street a long time to decide that inflation was being tamed, and traditional levels.

The dramatic drop in oil prices tuous spiral of declining rates, fol-bas now kicked into the stock mar-ket's inflation calculations. Long-For them what is good for the ket's inflation calculations. Long-term government bond yields which bond market is also best for stocks; peaked in the high teens in 1981 are a sluggishly expanding economy now just over 8 per cent, their low-that is unlikely to blow any valves

the credit markets and as a result the multiple on the S&P 500 has moved to the top end of its range for the past 10 years at close to 15 times earnings.

The conditions of the 1960s, when equities at times yielded as much as US Treasuries, are still a long way away. Dividend yields, now standing at around 3.6 per cent, are in fact grossly understated because companies bave turned increasingly to equity repurchase programmes as a way of distributing earnings to shareholders. Investors last year probably received about as much cash from share buy-ins as from dividends. But that still leaves a sizable gap against long-term government bonds, albeit a narrowing

If the remaining inflation pre-mium continues to drop out of longterm rates, the yield gap could be further reduced and equities advance in step. Conventional Wall Street wisdom in fact holds that this is the most likely way ahead over the next six months or so helped by the latest nudge from the

After that the consensus begins to fall apart. Where Wall St splits is on the question whether earnings will take up the haton and give eqnities something to go for later this year and next. For the optimists, oil prices and the dollar are set to deliver growth in profits of anything between 10 and 20 per cent this year, after last year's tall.

#### Overheating

Over the hubbub of fast money jumping on to this particular bandwagon it is difficult to hear the still, small voice of caution. For contrarians, the arguments for earnings the process is far from complete. growth suggest just the conditions But after four years with a US inflation rate of less than 4 per cent, worries about overheating in the yields have begun to fall to more economy. The result, they argue, would be a sharp reversal in the vir-

est since 1978. In a breathtaking on what is still a very shaky mech-surge over the last four weeks bond anism of recovery. And the dellalittle matter of the \$200hn budget prices have risen by an astonishing tionary impact of cheap oil could deficit. Notwithstanding the 12 points. Equities have been yet bring some unpleasant financial

#### circulation daily paper. There are of the union EETPU, some of whom secretarial and clerical staff. Companies bid for snack group

with under 3 per cent.

Continued from Page 1

leaving the final contract details for

Teams of negotiators from the two potential US buyers flew into London yesterday to continue talks. Imperial declined to name the companies involved, but leading US snack-food manufacturers include Frito-Lay (part of PepsiCo), Nabisco, Brodens, Anheuser-Busch, the brewing concern, Fishers (Beatrice Foods) and Snackmaster (Mars). Imperial believes the three companies with which it is now talking would pose no monopolies difficul-

World

ties in snacks. Allied-Lyons' food interests include Hornimans, Lyons and Tetley teas, coffee, cakes and sweet biscuits and Baskin-Robbins and Lyons Maid ice cream.

While serious talks are going on with these three companies, other groups are continuing to make inquiries, Imperial said. It has de-cided on a quick sale because it does not believe the OFT would agree to the "parking" of the Golden Wonder business temporarily with Morgan Grenfell, which is advising United, or with any other bank

elsewhere in London - particularly

nf its business.
Imperial calculates Hanson's in the rand against sterling.

Although it would be possible to settle all remaining privatisation is-Imperial plans to develop its campaign against the rival Hanson bid with a straight or what has been ruled out. In the paign against the rival Hanson bid with an attack on what it claims is Hanson's refusal to disclose details of its South African perations. The arguments will concentrate not on the mnrality of Hanson's being in South Africa but on its alleged failure to disclose what is a large part if its business. The new flotation date is likely to

Ever Ready battery business would be decided at a meeting this week bave made profits of C15m in South
Arrica in 1985 but for the sbarp fall
in the rand sector of the sparp fall North Sea exports, Page 8

# YAMATANE FINANCE

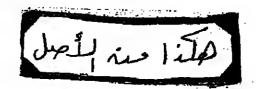
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# Indonesia

The collapse of world oil prices represents the biggest challenge for the Indonesian Government since it came to power in the mid-sixties. President Suharto's astuteness in blending different interest groups harmoniously together will be tested to the limit.

# Major challenge ahead

By ALAIN CASS

**Asia Editor** 

archipelago's 13,000 islands, the belt-tightening which has lasted

independent of its peoples were raised to a level which later proved unsustainable. The first was during the rising tide of nationalism following the declaration of its peoples were raised to a level which country.

This peculiar Javanese political alchemy involves subtly blending the country's key country in 1945 and the defeat of the Dutch colonial. rising tide of nationalism following the declaration of independence in 1945 and the defeat of the Dutch colonial

The late President Sukarno tried to satisfy those first great expectations with a diet of makeshift economic development and personal charisma. A succession of rebellions and subversive movements, which largely arose out of his inability to deal with rising popular discontent and economic chaos led to an abortive coup attempt of 1965 which eventually swept him from power.

survival.

The second period when the country's vast and rapidly in-creasing population glimpsed the promised land — and to a the promised land — and to a limited extent arrived there — came after the first oil price risa of 1974. The country's oil wealth gave birth to an unprecedented economic boom from which enough people benefited to give President Subarto, Indonesie's second bead of state, a sound basis for consolidating a sound basis for consolidating his position until it became

Jace

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Then the price of oil began to fall—at first slowly—but later as energy-saving measures in the industrialised world and over-supply took hold, with dizzy rapidity. Oil and netural gas earnings eccount for over 60 per

power groups—militery, politi-cal, and religious—into a harmonious whole which serves national objectives. In reality, e relatively small group — the ermy—bolds the levers of power, but patronage and compromise create the illusion of consansus. President Suharto has also been astute enough to appoint

a number of talented technocrats to his government, who bave introduced sensible and prudent economic policies, ploughing Indonesia's oil income into key sectors such as agriculture. The development of Indonesia's fertiliser industry, for example, has played a major role in turning the country from the world's biggest importer of rice in 1980 to self-sufficiency, and even a small surplus for

creasingly painful. It is not just a question of expectations dashed. For many it is now a question of making ends meet. export.

But with the oil price bovering around \$13 a barrel Indonesia's economy is struggling, and there appears little relief and for e few, perhaps even of

For the government, and for President Suharto, the collapse of oil prices represents the most serious challenge it has faced Indonesia Zad already left the ranks of the big spenders by 1983 when it abandoned projects worth US\$10bn. The slowdown since coming to power in the has since deepened as President. Suhario, a conservative at beart, bas pursued what one of his ministers describes as a better safe than sorty policy. earlings eccount for over 60 per state budget mid-sixties.

has since deepened as President Subarto maintained that the economy was resilient, subarto a conservative at beart. Buoyed by low inflation, strong teriorates sharply with the fursion of per cent of



• PRESIDENT SUHARTO, above, has built his reputation as "Father of the Nation." Achievements include impressive strides forward in the area of agriculture, but economic planners in Jakarta (left) now warn of two tough years ahead as oil revenues decline

all spending was slasbed by 7 per cent and development spend-ing by 22 per cent. The previous budget had been based on an estimated oil price of around \$29 a barrel, and a deily oil pro-duction of 1.3m barrels. The actual output evereged around 1.18m and prices bad fallen to around \$27 a barrel by the end of last year.

This year's budget was based on a price of \$25 a barrel but probably anticipated a further early March, tha government was preparing to announce yet another round of expenditure

Mr Ali Werdhane, Indonesia's top economic strategist said in early March that the country would push oil output to 1.5m "We have a population of 160m and we have to feed them," be commented.

There is some truth in this and remains strong enough five principles—one god, but also an element of wishful physically to continue in power bumanitarianism, national unity, thinking, President Suharto has for as long as be wishes, the democracy and social justice built his reputation as "fether question of his eventual succesof the netion" on his record of slop arises. economic development and he must now be concerned that a prolonged recession will begin

probably anticipateu a landard drop. However, within weeks cultural record the personal the price bed collapsed and, in ance of the industrial sector has been dismal. While it is Indonesia's foreign true that Indonesia's foreign reserves provide the government

enough, Indonesia will be pay-ing up to \$5bn in repayments In his January budget speech this year and may bave to make President Subarto maintained further borrowings if the bal-

He will be 67 when his new term begins, comparatively old by Indonesian standards. Al-though sufficient consensus exists Big contrast

Moreover, in contrast with the country's impressive agricultural record the performance of the industrial sector

The laborious process of pre-paring for an eventual succes- Despi sion bas, some argue, already begun, even though that event with a comfortable cushion, and could be seven years away, ment against the government's there is at least \$2bn in Changes in policy and admini-refusal to subordinate the state untouched loans, this situation stration in the past two years, to Islam, or against widespread could deteriorate. to tighten the way tha country
Indonesia's debt-service ratio is run and reinforce the regime's barrels a day or possibly bigher stands et 22 per cent and its control, suggest that President its at to counter the drop in prices, total foreign debt at around Suharto may already be think-tive.

"We have a population of \$27bn. While this is comfortable ing of his successor's problems. Bu ing of his successor's problems. Nobody knows who that will be, perhaps not even President Suberto, but be will almost certainly be Javanese general and

Pancasila is chiefly aimed et blunting the threat of Islamic fundamentalism. More than 90 per cent of Indonesle's popula-

tion is Moslem. As ona veteran western diplomat puts it: "Indonesia is basically stable under Suharto, but there era two wild cards he bas to contend with. The first is the oil price, and that card bas been deelt. The second is

Despite occasional rebellions by extremist Moslams, thera are no signs of a mass moveto Islam, or against widespread corruption. The Javanese regard high office es a grace and its apoils as a natural preroga-

But President Suharto is taking no chances, Golkar, the government party, has been reinforced under tha leadership of Mr Sudharmono, the powerful state secretary. All civil servants, down to level, are pressed to join Golkar in a blatant ettempt at total identification government and ruling party.

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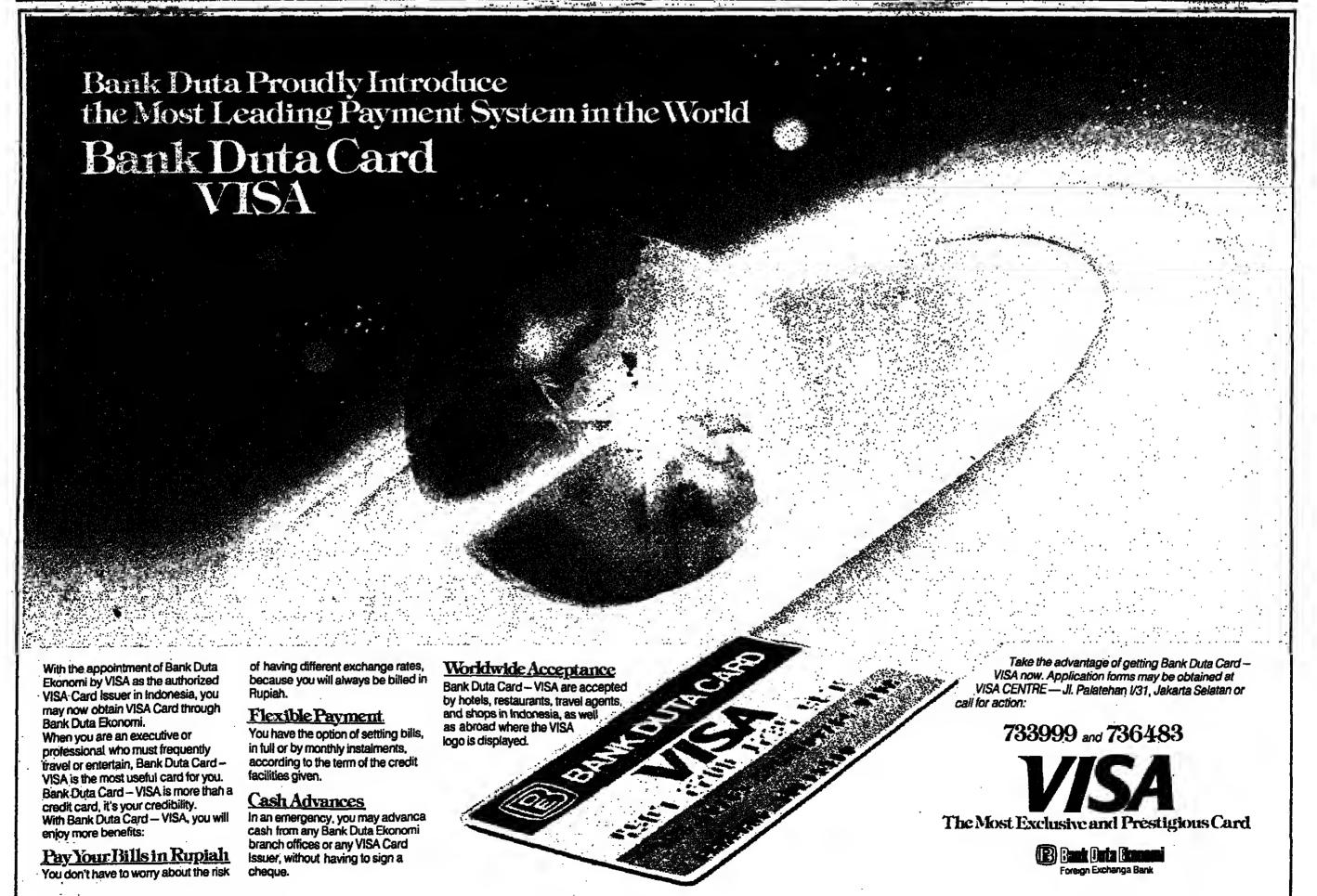
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#### The magnitude of the recent fall in oil prices has deepened the furrowed brows of Jakarta's economic planners, as Kieran Cooke reports here.

# Two tough years ahead

een preparing for a month lika this February. Ever eince the 17 per cent fall in the price of 2 rude oil, at the end of 1982, hey have been expecting worse lays ahead and considerable forts have been expended to here up the economic structure

were put on ice permanently. A crash programme began to accelerate non-oil and gas exng heedway despite sagging markets for nearly all commodi-Efficiency and anti-corruption measures have been introduced, too, to cut down the bureaucratic factors which tended to increase costs and

threaten competitiveness.

To reduce cash outflow and protect fledgling local pro-ducers, imports were severely reduced. Moreover, during the past three years the Government has lined up about \$3.21\(\text{m}\) in as yet undrawn standby credits with foreign banks.

When Jakarta went to the market in early 1985 to increas

credit lines, confident banks oversubwribed the issue, pushing it up from \$300m to \$400m despite the already high deht level. Lest December, as the oil price crash drew ominously oil price crash drew ominonsy near, the country yet again made a successful foray into capital markets, raising \$300m in ooe debt issue and Yibn in another. The borrowings were publicised early January just es the Government announced a 7 per ceot cut in the proposed fiscal 1986-87 budget.

These preparations were none too pessimistic. Most pundits saw the oil price dropping in March at the earliest, so the January-February crash was a surprise. The magnitude, with prices falling by nearly \$8 a barrel in a matter of weeks, was stunning. Worst case theories put the low at \$15 a barrel. Few local economists had any idea the bottom would be below

This has certainly deepened the furrowed brows of Jakarta's economic ministers, and they all expect a trying next two years, but largely as a result of the astute protective of the astute protective measures taken since 1982, there is no panic. Foreign bankers and economists, com-

economy will keep the country on a stable footing, despite the endless tightening.

Economic growth could be flat in 1986, following the estimated 1 per cent attained last year. In his January speech to parliament to present the oext year'a hudget. President o withstand the sbock.

Following the 1982 crude growth could not be expected price fall, over US\$12bn in najor development projects sere rephased. Many, in fact, avoidable cuthacks in government. ment spending. He stressed the need for a calm and realistic attitude toward the present dif-ficulties. With diligence and discipline, President Suharto told the legislators, the country's resilience could be main-

> The unprecedented 7 per cent cut that was announced for the year beginning April 1 was a direct result of the oil price collapse. Earnings from oil and natural gas had accounted for 65 per cent to 70 per cent of government income over the past several years, but in the new budget the portion was cut

#### The budget

By a longstanding law, the Indonesian budget must be balanced. This has been par-ticularly difficult for the forthcoming year. Chief economic planner minister Dr Ali Wardbana, says the Government loses ebout \$200m for every \$1 fall in the barrel price of oil. A balanced hudget was still possible when the oil pree was projected to stabilize about \$19.

Now Wardhana says there is the possibility of a hudget revision after the oil market has settled down.
Foreign aid bas, in the past

years, allowed the Government a high level of expenditure on development. In the upcoming fiscal year development spend-ing has been cut from 10.6 trillion rupishs (US\$9.4bn) to Rps 8.2 trillion. Development aid has fallen, to protect levels of debt, now about \$27bn in mostly soft-term loans.

To make up for the economic losses resulting from spending cutbacks, the government bas opened a determined twopronged attack. Since early inpres IV reinforced the inpres IV reinforced the inpres IV reinforced the archaic tax codes bas been three years. In 1984, non-oil under way, Previously taxes were for the most part a matter of negotiation with often-cor. This slowed to about 6 per cent.

portion of taxes pald never reeched government coffers. Now paying taxes is based on self-reporting guidelines, and the collector has no power to harass, or cheat, the taxpayer.

Tax codes are almpler and eocourage an openness of accounts. The result has been a classificant wideoing of the significant wideolog of the tax hase, the number of taxpayers neerly doubling in the first two years.

Efficiency is the catchword of the other angle of attack. Implementation of major pro-jects, heset often in the past with waste and fraud, is being intensely scrutinised so as to speed up the undertakings and get more out of the development budget.

To build up non-oil exports—

crucial for lessening the depen-dence on petro-dollars—other reforms have been undertaken, with the already-visible effect of making Indoorsian goods more competitive internationally. The well-known preationally. The well-known preation in the instruction IV of 1985, or inpres IV, dismantled half the notorious customs epparatus. A full 6,000 customs officlais, mostly hased et the thoroughly corrupt main Indonesian port, Tanjung Priok in Jakarta, were given indefinite furloughs. Their role in slowing down trade, extorting extreme paymeols from both importers and exporters, was vir-tually eliminated. Many of the handing procedures which stood as impediments to impediments to smooth trade in Prick and other main ports bave been elimi-nated.

The Swiss inspection com-pany SGS has been given the contract to assess trade merchandise for quantity and quality so that accurate duty payments will be made. SGS directs duty payments directly into the treasury, with the result that tax collections in the trade area bave soared. Yet costs for many traders beve dropped. Exporters say ship-ping, clearing, and forwarding costs added on to their goods' value have fallen by at least 50 per cent, and the goods no longer get beld np for weeks

on end in the port.
inpres IV reinforced the

as much as half of their taxable cal goods, end essential oils income. Moreover, a significant portion of taxes pald never slightly in income. tered in textiles and vegetable olls. Clothing exports grew 41

per cent from mid-1984 to mid-1985. Indonesie sighed with relief at the defeat of the Jenkins Bill which would have introduced further protection-ism to its primary textile market, the US. The Bill would have hit Indonesia harder than other countries in the region. Another great success

been vegetable oils, mainly palm oils. Export income rocketed 1600 per cent after the Government lifted technical limits on oil exports. Export income

While the difficulties of the economy stay in the spotlight however, foreign reserves are healthy, standing at a total of US\$10.5hn—equivalent to nine months imports—and inflation is officially put at a modest 4.3 per cent. However, the current account deficit on the halance of payments is projected to rise by 5.2 per cent in the coming financial year to US\$8.1bn.

The most significant succes over the past 24 months - and further contributor economic stability — bas undountedly been the attainment of self sufficiency in rice production. By late 1985 Indonesia bad an excess of over 3m tonnes of rice-some necessary for emergency stocks hut the rest free for export. do the same with soyabeans, a major commodity import. It is hoped to achieve soyabean self sufficiency by mid-1987.

The efficiency campaign has also reeched into the government department supervising capital investment, There was a large drop in investment in 1984, with foreign investment dropping beck to under \$1hn compared to nearly \$3bn in 1983, Foreign investors feel BKPM has been sbocked into taking remedial ection. They are now far more responsive and make big efforts to co-ordinate activities with other ministries," one Euro-pean Industrialist observes.

The main problem facing the ment with nearly 2m people coming on to the labour market menting on the most recent rupt tax officials. Those qualifies in 1985, a reflection of softened found to expand job opportunity of the conservative management of the Indonesian if assessed rarely reported even ferrous metals, prawns elected to the labour markets.

This slowed to about 6 per cent every year, Ways bave to be debt issue, say they have no field to be taxpayers did their prices on global markets, best to hide from collectors, and Exports of tea, rubber, non-be economic but also social and the indonesian if assessed rarely reported even ferrous metals, prawns elected.

# Banks hit by shrinking assets

FOURTEEN MONTHS have in the market that banks could decline over the past three ary, after nearly two years of passed since the governor of easily supplant the Rp 300bn in years.

The situation worsened handed it over to a group nesia, announced measures to during the previous September's severely with the steep plunge counter chronic rupiah sbort-credit squeeze. An expected the oil price took this January, ages in the interbank market shakeout in the industry never. A large amount of private busihrought on by a series of deregu-lation moves begun 10 1983.

rates for interbank money were constantly over 30 per cent. At one point, in September 1984, they rocketed to 90 per cent. The ruplah shortage was severe enough that BI had to open special liquidity credit facilities which the banks quickly leapt to, borrowing Rp 300bn (\$300m)

in sbort-term notes.

The new money market instruments, accounced by the BI governor, Arifin Siregar in January 1985 were extremely successful in creating a more fluid market. Interest rates for short term borrowers calmed immediately, and since theo have sunk to below 20 per cent. By allowing banks to endorse and discount corporate clients' commercial paper and bills of exchange, and to issue notes of their own. BI successfully averted a cricle that had elready claimed one bank as a casualty aod left several others on the

brink of disaster.

questioned government explana-tions of what bappened when troops dispersed demonstrations

than 30 people.

Among those who signed the Statement challeogiog the

deregulation allowed banks to freely compete for rupieh deposits hy setting their own de-posit rates, and the subsequent opening of these instruments solved the temporary shortage brought on by beavy competi-tion for the rupiah. BI has been able to stabilise interest rates, keeping them only slightly bigb to prevent a flow of funds offsbore into Interest-bearing dollar accounts.

This bes been quite a lot of activity for Indonesia, where the Government's finence czars are perpetually preoccupied with the country's external accounts. The once quick-fix-it attitude has edged closer toward developing longer term reforms. Since this rerent round, though, BI and the Finance

The biggest test so far

tary officers and former civil

China, especially now that Deng Xiaoping has set its course towards economic development and, therefore, eventual military auperlority. Few people

The mooey market instruments, and controla instituted on loddy ideal baoks' ioterbank borrowing also left ecough leeway instituted on national market, has been in loans, regulation period. One pank, regulation period. One pank, general economy, lister proportion in the lister regulation period. One pank, general economy, lister proportion period. One pank, general economy, gener

The army, the real power in the land, has been instructed to act as Golkar's backhone while persistent efforts are made to negotiate Javaoese-style compromisee with the country's powerful Islamic parties and organisations.

Dissent is harsbly dealt with, as the 10-year sectence on re-

ured general and diplomat H. R. There are persistent motterings bharsono at the eod of last among some generals about the long-tarm threat posed by China, especially now that the china, especially now that the long-tarm threat posed by the china, especially now that the long-tarm threat posed by the china, especially now that the long-tarm threat posed by the china, especially now that the long-tarm threat posed by the china, especially now that the long-tarm threat posed by the long-tarm threat posed by the long-tarm threat posed by the long-tarm threats to worry about.

troops dispersed demonstrations in the poor North Jakarta dock area known as Tanjung Priok that Peking will one day invade in September, 1984, killing more Indoessia.

The turmoil in the Philippines

Among those who signed the was, and remains, a source of statement challeoging the concern hut, again, represents government were 16 members no threat to Indonesia, where

of so-called petition 50, the the Communists have been country's most vocal dissident reduced to virtual impotence organisation, founded in 1980, which consists of retired millitations the 1965 coup attempt.

be oil price took this January. A large amount of private business depends either on the lumping oil sector, or contracts from the strongly centralised fovernment.

With oil income dropping, and banks have a host of bad cans on their books, and have pent the past two years trying beautiful the past two years trying sovernment economist, Sumitro government economist, Sumitro Bi harge Jakarta-based Astra group as partners.

BI was also forced to take over Bank Pacific, the smallest of the locally-owned foreign exchange banks, last year. Again, BI has attempted to sort out the bank's hooks and is expected in ness depends either on the lation moves begun 10 1983.

In a regulatory sense, the slumping oil sector, or contracts

Just a few months before banking system in Indonesia has from the strongly centralised the acnouncement, overnight never heen healthier. The 1984 Government.

many banks have a host of bad loans on their books, and have spent the past two years trying to restructure and re-evaluate their portfolios. For most, it translates into shrinking assets. if not in rupiah terms then in real dollar terms.

#### Across the board

Difficulties traverse the entire sector: the state banks, with 80 per cent of the business; the foreign banks, with only 5 per cent; and the national private banks. The problems in the stete banks, heavily into commodity development projects. stete banks, heavily into com-modity development projects when most commodity prices are dropping, has meant less central bank support is avail-

Ministry are content to leave thinge be for a while and turn to the balance of payments.

The banks, then, are not entirely happy. The plight of the general economy, Inseparably lied to the fortunes of Indon.

President Ronald Reagan's

forthcoming visit to Jakarta, and the decision by the US to sell advanced F-16 fighters to Indonesia even though it cannot afford them, affirms

Washlogtoo's tacht recognition of President Suharto's impor-

assurance as it has shown over the past decade remains to be

seen. Preeldent Suharto has carved an unassailable position for himself through a mixture

of good sense, guile and ruth-lessness. The institutions of

lessness. The insututions or government and the army are under firm and increasingly competent control. There are no visible threats to stability. Indonesia does not appear to bave a Khomelni either at

Indonesia, is however, a vast and complicated country difficult to hold together at the

best of times. If the oil price drops even further, and fails to recover, the country's resilience will be tested to the limit.

home or in exile.

Whether Indonesia can move towards the 1990a with as much

tance in south-east Asia.

years.

The situation worsened severely with the steep plunge headed by the former senior

bank's books and is expected to sell its assets to private investors in the near future.
In the difficult economic en-

vironment, the private banks are seeing the disadvantages of the country's free currency excbange system. Depositors are constantly worried about a possible devaluation, a growing prospect as government oil income drops. If movement into offshore dollars grows too rapidly, the market could again lose liquidity, and weaker banks would find it most difficult to source rupiah.

Senior leaders in the Government, including Mr Stregar, Finance Minister Radius Prawiro and President Subarto himself, have most recently change system. Depositors are

himself, have most recently repeatedly stated there would be no devaluation in the new

These assurances have hardly lent the market confidence in tha ruplah over the medium term. Banks still register about 90 per cent of their deposits in the short-term, under six months. That there is now a great deal of liquidity keeps interest rates down. In the weak economy, quality borrowers are few and far between, too. These assurances have hardly

But while times are quiet, banks are mulling ways to strengthen their deposit base. The talk is promising: it leans towards a loosening of the state

the tark is promising; it leans towards a loosening of the state banks' hold on deposits they control, those of state-owned corporations, insurance, and pension funds.

If the state banks would let out a small percentage of this long-term money to the private institutions, it is argued, there would be far more stability in both sectors. The private banks could operate with increasing efficiency, and have more funds to support the private sector.

The Ministry of Finance are alowly working out a number of minor changes to liberalise the atmosphere, and simultaneously strengthen the system top to bottom. Last year the ten foreign bank branches in Indonesia weta allowed a modicum of access to the market outside Jakarta, up to now not available to them except through their leasting stheir disciplination. to them except through their leasing subsidiaries.



PROFILE: DR ALI WARDHANA

# Nation's leading financial guru

TRYING to get an appointment with Dr Ali Wardhana, Indonesis's leading financial guru, is not easy. Actually finding him in his office is even more

problematic.
Dr Wardhans sits at three giant desks literally encased by pile upon pile of economic documents and files. From this paper-strewn bunker he emerges, a man of considerable charm and affability.

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on one side of the room a sign pleads: "God, please bless this mess." On the other is one saying "A neat desk is the sign of a sick mind."

Dr Wardhana hardly has the

bearing of a man in charge of one of the world's more intri-cate economies. Instead, he fulfils the Javanese ethos of always seeming at ease, even in times of acute crisis.

Dr Wardhana has been one

Dr Wardhana has been one of the main thinkers behind Indonesia's economic planning for nearly 20 years. One of the so-called "Berkeley mafia" who have directed economic policy and development under President Suharto, Dr Wardhana took his degrees (MA and PhD) at the University of California in the early 'sixties before returning to teach at the University of Indonesia.

Sucb was Dr Wardhana's standing both at home and over-seas that when he was hospitalised last year, bankers started in worry. The Minister says Indonesia's financial management is far more mature now and there are others who are just as capable to do his joh. Also he says that, at 57, he is formia in the early 'sixties before returning to teach at the University of Indonesia.

"I regard my joh as moon-lighting for the Government," he says with a laugh. "I am first and foremost a teacher and still try to give as many classes

as possible."
Dr Wardhana served as the late '60s and '70s. Inflation hack in 1966 was more than 600 per cent. "Those days were chaos, but it was also fun. I had to do practically all the calculations myself. We had no financial infrastructure, nothing."

Ioster an elite of men such as Dr Wardhane who overshadow any potential successors.

ing Minister for Economic,



Dr Wardhana: unemployment is the major challenge for Indonesia

tycoon, Liem Sioe Liong, who is a close business associate of

President Suharto.
Dr Wardhana often feels too present short-term problems

and not enough has been learnt

Thousands of schools, thousands

of miles of road, have been constructed. Indonesia is now the leading liquefied natural

designed to soak up unemploy-ment, is the only sector that has not been cut hack."

me contact with the College Profit and and

vative, prudent planner who is, however, not frightened to implement sweeping and sometimea unpopular decisions.

He was behind mucb of the planning for the radical reorganisation of the Customs Service last year, dismissing up to half the officials in what had become a notoriously corrupt depertment.

It identifies measures in the Indonesian unsure content in the Indonesia unsure content in the Indonesian unsure content in the Indonesian unsure content in the Indonesia unsure content in the Indonesian unsure content in the Indonesia uns

grow," he says. Dr Wardhana was known to have heen strongly opposed to the Government's huy-out of e 33 per cent stake last year in the Indocement group—the foundation of the empire of the Indonesian Chinese business typeon Lien Size Lieng who depertment.

"We have to take such measures. It is painful, hnt it is the only way we can survive." he says.
Such was Dr Wardhana's

Also he says that, at 57, he is in good health. He plays golf as keenly as ever—his office is lined with trophles—and has He still has the relaxed air no intention of retiring.

#### My hobby

"My work is my hohhy," he says. "Other hobbles include farming durian—the legendary "king of Asian truits."

There is concern about what will happen when Dr Wardhana and his colleagues step down from office. The Indonesian Government has shown remarkably little mobility over tha last 18 years: it has also tended to foster an elite of men such as

any potential successors. Dr Wardhana was given his Dr Wardhana is from Solo, present position as co-ordinat- the heartland of Java where a Financial and Industrial affairs President Suharto's entourage in a Cabinet shake-up in mid- were born. But Dr Wardhana 1983. Since that time he has is an internationalist in his gained a reputation as a conser approach: he objects to profec-

a new on globel markette unifies at the men

# Foreign investment in decline

DELVING INTO the intricacles to

During the current Five-Year Plan-called Repelita—the Gov-ernment has set an annual investment target of Rp 13.3 trillion (US\$11.8hn) from both domestic and foreign sources. But according to latest figures available, total investments last year were less than half the Government target at \$4.20bn.

In 1984 the figure was only \$2.98hn. Within that total, \$2.98hn. Within that total, foreign investment—excluding Indonesian economy due to that in oil and gas—showed a ing revenues from vital oil gas exports has also caused an insurant slump. But many forin 1984 and \$859m last year. eign companies point to Indo-Moreover, these figures refer nesia's unattractiveness in com-

investments parison to many other countries

produced by various Government department and ministries expansion and does not as such end they sometimes differ sub- represent new investment. The stantielly. But, in general, all vagaries of the world economy the ststistles agree on ona end the increasing tendency of factor et the moment: foreign countries such as Jepan to place investment in Indonesia has their overseas investments in heen falling for the past three "safer" ereas such as North years and no upturn is in sight
—a deeply worrying trend for
the firm development-orientated
Government Government of President decline.

> sector apart, having put nearly \$5bn iolo the country since 1967, ils investments have been sleadily declining in recent years. Last year Japan agreed to invest more than \$200 min new projects in Indonesia. However, few of these projects show any sign of getting nff the ground at the present time.
>
> A general slowdown in the Indonesian economy due to falling revenues from vital oil as

cation of the notoriously corrupt Customs Service Last year and low labour costs, Indonesia is still not en ideal exporting base: the prevalence of e "high cost" economy, befuddled by licensees and middlemen, deters most ex-port orientated industries; foreign investors are also prohihited from many areas: almost all downstreem projects are for-hidden to foreign investment.

Instead, the Government emphasises investment in usually While Jepen is still Indo-nesia's largest investor, the oil stream producing capital goods, semi-finished products and raw materials for downstream in-dustries. Such projects promise little return from capital in the

of Indonesian Government approved: investments might in the region.

Indonesian Government approved: investments might in the region.

Investments approved: investments might in the region.

Investments are a shortage of vestment tours ebroad. But Mr reliable local partners and rullings that require foreign companies to sell a majority of looked upon as being overly to the region. ings that require foreign comof Small-scale Industries, is still
panies to sell a majority of
equity locally, within 10 years
—or float shares on the somnoand sometimes cavalier lent Jakarta stock exchange.

money into agro-business end nearly two hours for his first crop development have met with only limited success.

nearly two hours for his first major policy speech—heve not gone down well in some circles.

Investment Board was aimed et shaking up the overly bureaucratic process of investment approvals.

Mr Ginandjar—at 45, the youngest member of the Indonesia Cahinet—has mede many changes and embarked on a

NESIAN INVESTMENT				
res in \$m)	1982 -	1983	1984	1985
al domestic	3.263	6.287	1.875	3.348
al foreign	1.259	2.882	1.107	859
Total	4.522	9.169	2.982	4.207

epproach-last year he kept an Government efforts to per-suade foreign investors to put foreign businessmeo waiting for

only limited success.

The appointment of Mr
Ginandiar Kartasasmita early
last year as head of tha Stata

The appointment of Mr
Ginandiar dismisses the light that he is a "nationalistic reality" and says he only wants zealot" and says he only wants to achieve greater opportunities

for domestic products. He also points out that the investment scene is not all gloom: though total investments were down last year the number of projects approved doubled to 50. Indonesie is also diversifying its sources of foreign investment: last year, India became the single largest investor in the country with a \$190m project for menufacturing polypropylene to be undertaken by the Chemtex engineering group. India has also made large investments in the Indonesian

cement industry.

K. C.

# Stock market: a style all its own

THE INERTIA of Jakarta's into US dollars at the first hint diminutive stock exchange diseppoints the type of speculators who dominate the frenetic treding floors of Hong Kong or New York. Trading averages rates to keep deposits in the state of the control of the first hint was 1983 on the now 9-year-old even keel. More Importantly, it listings, has all but stopped. exchange Since then only one other company has gone public. The biggest hope of the merchange fear of racially-oriented attacks. The strength of those of authority Jasa Marga, heve

from the pest.

We beve become self-sufficient in rice. We have built up our social infrastructure. Yet the beerish players, those patient to sit and wait, or even close their eyes optimistically weiting for e market boom, see

of miles of road, have been constructed. Indonesia ia now there is money to be made, there is money to be made. The leading liquefied natural Meanwhile, they are content fast and plymod exporter in the world. These are solid achievements, built up from almost nothing."

He feels Indonesia bas a reslience to withstand crisis. But the has no doubt that unemployment is the major problem.

Weiting for e market boom, see there is money to be made. Meanwhile, they are content of deposits are for terms under said mindends. The Indonesian Stock Exchange has its own distinct style, and purpose. An insight into government policies, monetary and political, is crucial to understand this capital market.

The Share market suffers as the Government does not want state held rupiab holdings, such

ment is the major problem Over the next five years nearly 9m neonle will be coming on to the labour market instability. The massive govern-ment sector, dominated by large development projects and hig ald and support programmes to -" It's very difficult to imagine that we can provide jobs for them all. But we have to try. That is why in the coming hudget regional development. the rural population requires equally hig—and reliable—funding.

regional development, do to soak up unemployis the only sector that been cut hack."

Kieran Cooke

Steady funding, in turn, is difficult to achieve hecause of the country's free foreign exchange system. Depositors are especially nimble at moving

diminutive stock exchange diseppoints the type of speculators
who dominate the frenetic
treding floors of Hong Kong or
New York. Trading averages
less than 5,000 shares a day, on
occasion none change hands
during a session.

of a devaluation or a breakdown
in public security. As a result
the central hank, Bank Indonesia, maiotains bigh interest
rates to keep deposits in the
hanks, and the Government
orients private and public
rupian as best it can into the state banks.

In compete, privete hanks offer even higher term-deposit interest rates. Some 85 per cent

Primarily, the Government as pension funds, supporting the has an intense fear of financial 24 private listings on the market when it could he hacking state projects. The state also taxes dividends on shares, while deposit interest is tax free. Thirdly, through the interven-tion of the government-owned investment trust P. T. Denar-eksa, share price movements are prevented from heing sharp end

drastic, which is what mora hul-lish punters want. ish punters want. company image as a profession- in slump. Business expansion, The hig year for new listings ally-run organisation set on an a potential source for new

son Vicks, BAT, Squihb, Uni-lever, and Goodyear chose equity issues as an alternative

Many on the exchange preferred to maintain control over
company secrets end product
quality by issuing publicly
traded shares, rather than selling half the company outright
to local Indonesians.

The except for a local section of the company outright
to local Indonesians.

The Government has urged the Chinese husiness groups to last year.

The share market suffers as for foreign joint ventures to the Government does not want state held ruptab holdings, such the control over 10 yeers.

The share market suffers as for foreign joint ventures to divest a minimum of 60 per cent state held ruptab holdings, such the control over 10 yeers.

The chinese fusiness groups to go public to lessen the potential for racially-based troubles. But planned, leaving private companies, not yet ellowed into the state held ruptab holdings, such the potential for racially-based troubles. But planned, leaving private companies, not yet ellowed into the state held ruptab holdings, such

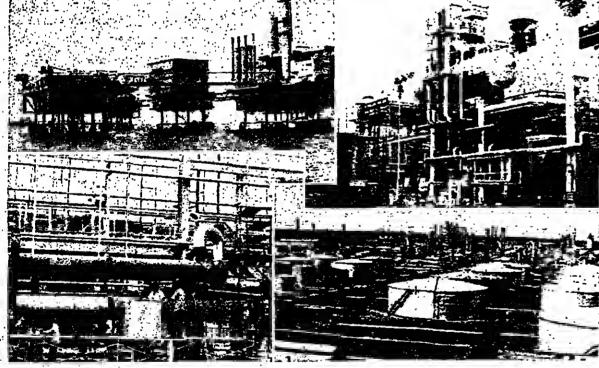
exchange. Since then only one other company has gone public. The biggest hope of the merket, a share issue by cement giant Indocement, flegship of the country's lergest husiness group, was aborted and the company instead sold 35 per cent equity to the state.

The chips are stecked against a company going public, but there are some henefits, as the 24 on the exchange have noted. More than two-thirds are wellknown multinationals. Richardson Vicks. BAT, Squihb, Uniissue. A Jasa Marge bond lssue in December, the fifth in a series, wes set at Rps 40hn (US\$35m) but oversubscribed to Rps Joobn.

shere-listing alternative.

In spite of controls on hinck shereholding and trading prica fluctuations, there is e tremen-dous interest in the stock For three years the economy merket's possibilities. Mr Barli has been on a driving the plunga are less concrete, which explains why only a handful have done so. It is a method of buxiling the company image as a professionally-run organisation set on an analysis for three years the economy merket's possibilities. Mr Barli Halim, its chief, is as bullish es possible, considering the regulatory etmosphere. It was obvious when the Indocement issue was planned that it would sell very well, and the stock of the s

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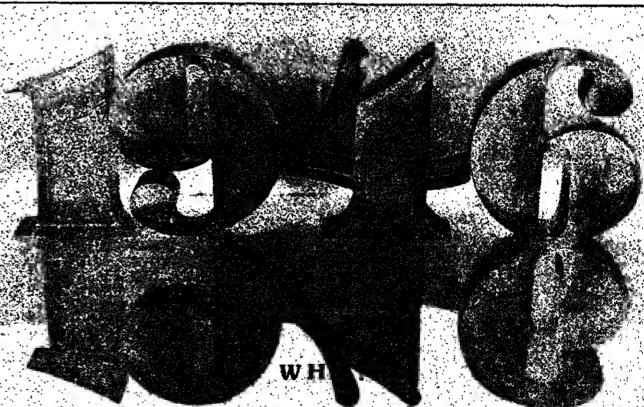
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# THE ROLE OF DANAREKSA

Indonesia's State Investment Trust Company by J.A. Sereh, President Director, P.T. Danareksa

When talking of the future role of the Capital Merket in helping to carry out the mobilisation of domestic sources of finance, i cannot divest reveal from the elm end goel of the Government of Indongsie in revemping the Stock Market. It is with this in view, that I would like to quote an except from the address by President Scalarto whon efficiefly declaring the reactivation of the Capital Market in Indonesie on Augest 10th, 1977 which is se follows:

"With the Capital Market reactivated compenies have the opportunity to acquire additional capital directly channelled to new areas in need of capital. The means opening of opportunities for furthw growth of besteas and new indestries. So it is just ead right when the general public is given an opportunity to own, not foreibly, compacies ead industries, which is of a descructivo nature, but in ways acceptable to everyone. This could be among other entered through the Capital Market. Companies are provided with opportunities to sell year of their shares to the public, and conversely, the general public have an opportunity 10 purchase those shares. In this way we are progressing in our efforts to develop the economy is the direction of 1945 of the Republic of Indonesis. I invite entrepreneurs to develop the capital market together with the Government."

Farthermore when introdecing the budget for 1860/81 et the Farthermore when introducing the budget for 1980/81 at the nary Session of the Partierment on Jenuary 7th, 1980 the aldoni emong others stated:

rresident emeng others stated:

"For those having money, who eannot or do not choose to invest in projects, are entired to save their money in term deposits, the nacional sevings scheme (Tabanas) and the like, or make use of the opportunity to participate in the capital market." These could be interpreted so a directive given by the Onvemment, is particular for those whose income is limited bet ere willing to save, to be obta to purchase charge or other securities, such as Canerakas Certificates and bonds. Thus it is only logical, that beving a money and capital merkot since the enactment of law No. 15 of 1952, these have to be ferther developed in accordance with the prevailing condition and in tandem with the hattoned development.

ence with the prevalling condition and in tandem with the hatlonel development.

P. T. Occereksa, a state owned investment trust company is established through Government Regulation Nember 25 of 1978 to implement the Government policy objective antituated to the capital merket, namely equitable ownership of private corporations in order to distribute income to a larger pert of the commentry.

Binsa the capital market was opened in 1977, the namber of listed companies here gradesly increased. Twenty-three companies are currently listed on the indonesis Stock Exchange, of which 17 are famige meltinational joint venture compenies. In addition, there is emple evidence that there is potentially alreng demand for equity capital but the secondary market is not very ective; this is attribated primarily to an insefficient sapply of escerifies to the merket. As the indonesian economy grows and becomes more applicated, the financing investment through the capital market becomes not only essential but herethy es well. There is no essentian, herefore, that the privaty capital merket in lodonasie is poised for stronger growth.

The Government is none studying a series of messares intended to larthet reactivate the capital market. These incides a plan to set as an Over-the-Counter Market end showing foreigners to invest is the indonesien stock market through portfolia levastiment.

Binco indonesie has great growth potential are assumed based coestry, it is expected that many foreign investors will find it attractive to invest in indonesies equities.

We hope that interest from overeass will stimulate domestic investors and ectivate the ascondary merket.

#### INVESTMENT TRUST

Osnemkas le creading a sepamte merkot in back-to-back certificates sed matual landa shame which is sered terosphost the exchipelego. For this perpose Denarkase is given pricrity to buy al less! 50% of the chartes offered by companies in the capital market eithough there is no obligation on Denomkas's gart to take the shares offered by companies in the capital market eithough there is no obligation on Denomkas's gart to take the shares offered in total or in part, is should be noted taough that declaron to take a lower percentage of the shares offered dece not estematicely imply that a comgeny is anonend; neither should a purchase in excess of the shore meeticed porcentage be mielistarpmad.

Osnerakas's role as anderwriter is that of an investor. There is no desire to exist a big brother nor is those code to offer a seel on the 3cerd of Directom. However, there is a responsibility to look star the back-to-back certificate holders and mutual fand investments. Companies should stay is close contact during the whole period en issen or offer is being discessed.

Up to Jansery 1366 Osnemkas hee issued cortificates end mutual funde to the nominal value of Rp 127.3 billion.

A festure of back-to-back cortificates le that they are in affact, only for one type of share, their price follows that of teelroriginal shares at the Stock Exchenges Osnerakes is ready to buy them back all suptime. Generakes is ready to they with bean any time.

Wo do not only gerentee to buy back mutual lend certificates at any time, but we alon generates e minimum dividend equal to the Time Deposit rate for the year. In 1981 when Time Deposit Rate was 12%, we daid 15%.

In Praidential Decree Number 52 of 1978, all State danks are appointed Agonts of Denerakes. Erenches of those backs designated by their boad-office in Jekerta, as well as in the outer regions with a total of 350 offisse act as agente, while there are also 31 sab agonts, mostly private stockbrokete and/or private nellonal banks, on that the seles network for Oenerakes certificates totals 421. This amount divided by celsting provinces makes approximately 15 sales outlets in each province to serve the levostore.

Ognaraliza market. For this resease we have travelied all over indonesis, given lectures, made appeaches in many regions hosted by the local government, adversities, Chembers of Commerce and industry and even in all the Ministrice in Jakerte. Special seminare for agents se well as workshops, panel discussions and the like am being held consistently in order to premote their shellty in restricting certificates, consistent with the instruction of the Minister of Finence.

#### BROKER/STABILIZER

BROKER/STABILIZER

As a broker, Oenemkas is essigned to see to it that the skere prices on the Exchange do not flectriste too violently. If the grice fells believe per evaluation (real price), then we am expected to buy et o higher grice. On the other hand, if someone apaculates by salling at a very high-grice, then we call part of our arock as a flower price. In this connection the accessing finger was very often pointed at as for permitting incurrence of cagital gain. In October 1933, due to world recession, the reise of 33M off prices, the devaluation of the indonesiale rapish, many compenies which have gone gubble show less grofit. Probably because of this, the Government has issued a regulation whore the price of shares could drop below by nominal value and Oenerakes is thus released from its

task to atabilise prices e1 the Stock Exchange. hask to displies prove to the control of the contro

#### NON-BANK FINANCIAL INSTITUTION

The Minister of Finance bee egpointed Denemics as a non-Bank Financial Institution. This allows us to be sodve in the monay restrict as well. Central is elon owner of the Financial Central consisting of 4 factures of lend, on which besides tas Exchange building, e 22-storay building is being erosted which is expected to be anished shortly.

#### UNDERWRITER

Denrekes also acts es endorwriter, edviser and leasing house to the Pablic Issue. Some very large companies aggoint Iwo or more land underwiters who would jointly act as managers in qutting together and marketing the less. P. T. Denarekse, se the National Investment Treat has acted lead enderwriter in every lesse because it has elways taken a sebstantial portion of each equity being issued or offered, in the primary morkel we have taken, in total sround 60% of the total issue of all shares listed and bessues we are very active in the secondary merkst at this moment we num ± 57% of all shares listed in the Stock Exchange.

# The nation enjoys political stability, but the intriguing question is who will eventually succeed President Suharto?

# Power rests in the hands of the few

witness a display of audacious nonchalance. Nothing, even among some of the word's most undisciplined drivers, is hurried. It is almost an arrogant stroll. In much the

is hurried. It is almost an arrogant stroll. In much the same way, President Suharto rules over the nation of more than 13,000 tropical islands.

The "Smiling General" who has led Indonesia for the past 18 years epitomises the Javanese ruler of olden days: seemingly unperturbed at being head of an acutely complex country of 165m people, Mr Suharto is capable of encouraging an almost mystical belief in the ability of the Father or "Bapak" of the nation to achieve and to provide. to provide.

Modern Indonesian history falls into two neat paris. For 20 years after independence from Dutch colonial rule in 1945, there were the nationbuilding years of the flamboyant President Sukarno, years filled with political turmoil and economic crisis. But Sukarno also successfully instilled an intense nationalism in Indonesia'a diverse peoples; this nationalism is still very much alive today.

The transition to the Suharto Government was not peaceful. Up to a million people were killed in the wake of an alleged Communist coup attempt. Several thousands more were imprisoned for many years.

"A whole generation, some of them vital to the country, were either killed or cowed into submission," says one

For much of the past 20 years, political life has been dormant. Instead, Mr Suharto's Government has ushered in an era of considerable economic development. The officially titled "Father of Development" has brought about rice selfsufficiency in a country that,

sunciency in a country that, until recently, was the world's largest rice importer.

Billions of dollars have been spent on a series of ambitious development projects throughout the archipelago. But Mr Suharto hag presided over an increasingly centralised style of sovernment, tightly conof government, tightly con-trolled and obsessively secretive.

#### Stage-managed

Politics is carefully are treated more as pro-Govern-ment displays than any test of popular will. Meanwhile, tradi-tional concepts of Musyawarah and Mujakat (consultation and consensus) have been largely abandoned in favour of a strictly hierarchical system with the President at the apex, the centre of enormous power and influence.

Power and the ability to make decisions on all key issues rests in very few bands. Mr Suharto and his wife—a person of con-siderable infinence in many sectors of Indonesian life-are

all military figures who bave support.

But the proved their loyalty to the Two years ago, Golkar ences, president over the years. Many embarked on a mass registra
"The have their roots in central Java tion drive, aimed, it said, at spread political consciousness

#### The political system

Executive power rests with the President, who is elected to a five-year term by the People's Consultativa Assembly, which meets to decide general policy and for Presi-dential elections. Half its 920 members

are appointees representing regional assemblies, political parties and other groups. The House of Represente-460 members of the assembly with 100 appointed members and 360 directly elected by citizens who are married or over age 17. The cabinet is appointed by and responsible to the President

Date of last parliamentary election: May 1982, Majority party: Golkar (242 of the elected members of the House of Representatives). Date of last Presidential elections 18 March 1982 (Presidential election: 16 March 1983 (President Subarto elected for his fourth term).

—the birth place of the Suhartos. Actual implementation of

power and control is carried out through the military, the bureaucracy and a plethore of: Government associated organisa-tions. The military, with Mr Suharto as its Supreme Commander, remains the single most important and infinential group in Indonesian political life. managed. Successive elections function role, it holds many important administrative and business positions.

Almost all governors of the

country's 27 provinces are military men. Senior positions in both state and private cor-porations are often held by the military. The armed forces have considerable clout in parliament where they represent about 25 per cent of member-ship. And while they are tech-nically above party politics, they are encouraged to support the ruling Golkar Party.

sectors of Indonesian life—are surrounded by no more than a dozen trusted advisors.

Along with the president they supervise appointments, often down to relatively minor officials, and preside over an extensive patronage system. The "inner circle" are almost The "inner circle" are almost all military figures who bave are surrounded by no more than a dozen trusted advisors.

Golkar was formed in the Recent events in the Philippines have caused some to draw parallels. Mr Suharto has been in power nearly as long as including the major Islamic former President Marcos, His Government has also been tarnished by allegations of corruption. There have been incidents are important differ-Golkar was formed in the



Indonesia's President Suharto-"the Smiling General" —centre, with Mrs Suharto, welcoming the Chinese Foreign Minister, Wu Xueqian, right, at a reception in Jakarta. Mr Suharto and his wife—a person of consideration of the conside siderable influence in many sectors of national lifeare surrounded by no more than a dozen trusted

largest political organisations in tha world. Almost all Indo-nesia's 3m-strong bureancracy are Golkar members. Advancement in the public

panies that make substantial contributions to tha party machine. The two other parties, the Muslim Development Unity Party (PPP) and the Indonesian Democratic Party (PDI) bave watched their influence decline as they have been outmanoeuvred and rocked by internal strife.

At the last election in 1982, Golkar won 65 per cent of tha vote. It has already said it bopes to win nearly 80 per cent of the vota at next year a "Feast of Democracy" as general elec-tions are referred to by the

Muslim gronps, in particular, have been burt by the move: they can no longer legally use Islam as a political weapon. The PPP has even been forced to 1.7m people under surveillance, change its party symbol from the boly Kaa'bah in Mecca to a more neutral and non-religious

star. There have been periodic outhreaks of opposition to the Suharto Government. But these moves have tended to ha more reflections of unrest and displeasure among certain mem-bers of the elite than any real popular movement.

But there are important differ-

"There is not the wide-

making the organisation a truly grass roots movement. At the latest count it had 16,500,000 members, making it one of the any potential opposition in the any potential opposition in the bud."

largest political organisations In tha world. Almost all Indonesia's 3m-strong bureancracy are Golkar members.

Advancement in the public and private sector is often dependent on party membership. Government contracts are more likely to be given to companies that make substantial contributions to tha party machine. The two other parties, the Muslim Development Unity Party (PPP) and the Indonesian Democratic Party (PDI) bave substantial demonstrators died.

Mr Subarto bas been particularly intolerant of criticism from his former colleagues. Recently, Mr Hartono Dharsono, formerly commander of one of the country's most prestigious military divisions and the first Secretary Geogral of the Association of South East Asian Nations (Asean), was jailed for ten years for questioning government accounts of a riot in which at least 30 Muslim demonstrators died.

Many others have been jailed

Many others have been jailed for making infiammatory state-ments about the Government: at the very least, onponents find they are forbidden exit visas to leave the country, or refused bank loans or permission to buy and sell property.

The state intelligence apparatus can be very effectivesenior positions are now filled by military intelligence person-nel and some observers detect

local press.

Political control has also been brought about by a series of legislative moves. Legislation has been pushed through Parliament, obliging all organisations, from political parties to baskethall teams, to adopt the state doctrine of Pancasila as their sole ideology.

Pancasila—which emphasises belief in God, humanitarianism, national unity, democracy and acial justice—is seen by the secondary with the PKI more Government as a vital means of than 20. years ago were dispreserving national unity.

Critics accuse the government of using the vague tenets of Pancasila to impose a one-party state.

Muslim groups, in particular, have been burt by the move:

1.7m people under surveillance. The most intriguing question concerns the succession to Mr Subarto. The next presidential elections are due in 1988. At the moment, Mr Subarto abows no inclination to step down. Nor is there any clear sign of anyone capable and willing to taka on his mantle. A sprightly 65-year-old, Mr Subarto con-tinues to be tha "master of puppeteer" of Indonesian poli-

tical life. But the President must be keenly aware that having accu-mulated so much power he can-not easily divest himself of it. For now, Indonesia is politically stable. Yet few would rule out the possibility of unrest when the "Bapak," the Patron of the Nation, finally bows out of political life.

Kieran Cooke

# The high cost of corruption

THERE ARE, of course, no statistics which show the entire picture of corruption in Indonesia, but the Government does admit that it has become worse, with more than 2,000 scruptlons about how their people found guilty of various corrupt practices in the 1983-85 period, an increase of more than 2,000 of the least well and widely-used system of patronage and nepotism three in World Bank-related exists side by side with corruption.

The critics say that such trenched and widely-used system of patronage and nepotism three in World Bank-related funding—should be more three in World Bank trenched and widely-used system of funding—should be more three funding—should be more than confice, President Such trenched and widely-used system of patronage and nepotism three in World Bank trenched and widely-used system of patronage and nepotism three in World Bank trenched and widely-used system of patronage and nepotism three in World Bank trenched and widely-used system of patronage and nepotism three in World Bank-related three in World Bank trenched and widely-used system of patronage and nepotism three in World Bank trenched and widely-used system of patronage and nepotism three in World Bank trenched and widely-used system of patronage and nepotism three in World Bank trenched and widely-used system of patronage and nepotism three in World Bank trenched and widely-used system of patronage and nepotism three in World Bank trenched and widely-used system of patronage and nepotism three in World Bank trenched and widely-used system of patronage and nepotism three in World Bank trenched and widely-used system of patronage and nepotism three in World Bank trenched and widely-used system of patronage and nepotism three in World Bank trenched and widely-used system of patronage and nepotism three in World Bank trenched and widely-used system of patronage and nepotism three in World Bank trenched and widely-used system of patronage and nepotism three in world Bank trenched and widely-used system of patronage and nepotism three i

Apologists can say, with considerable justification, that indonesia is by no means the only player in tha corruption league. Many other countries, both rich and poor, suffer from similar, if perhaps not so widespread, malfances.

Subsidized corruption, driving up prices and making most indonesian goods uncompetitive overseas.

Examples

At a minor level, corruption is not difficult to find: the air

tip of the proverbial iceberg, but corruption has already done considerable damage to the economy and it continues to threaten the stability of the Government of President Suharto.

National Audit Board, General Immoer concerns, Mr Bob Hasan, but control with the President in the past. The military, through its "Dwi fungsi" or dual rola in society, is engaged in a wide range of enterprises well outside barracks or the parade ground.

league. Many other countries, both rich and poor, suffer from similar, if perhaps not so wide-spread, malfeances.

Corruption is often an adjunct to a market place, hargaining oriantated economies like Indonesia's where the price of everything, from a bag of oranges to a deeth certificate, is open to negotiation.

The industrialised countries, which contribute ecormous amounts of funds to fuel Indonesia's development efforts many of them Indonesis's development efforts here accused of adopting double standards. No IGGI Low salaries are one reason double standards. No IGGI Low salaries are one reason double standards. No IGGI Low salaries are one reason double standards. No IGGI Low salaries are one reason double standards. No IGGI Low salaries are one reason condensed as much in Indenesia as it was in the Philippines under the Marcos regime.

Examples

At a minor level, corruption is of indic the air of a wisiting academic: more when yellow to a visiting academic: more wished the armed forces chief, add to a visiting academic: more wished to a visiting academic: more when people retire (from the army) they come to and see what they can get in the way of husiness and nor. The way of husiness and nor. The way of husiness and nor. The customs was for a few dollars to renew ask for a few dollars to renew ask for a few dollars to renew ask for a few dollars to renew and see what they can get in the way of husiness and nor. The customs was the contribute ocommous and the standard companies. "They can make US\$1m to \$2m on commissions and the same US\$2,000 of a called expediting agents, many of them officially priced st US\$200. The business dealings of the proper monitoring of funds. Some people in government and some various state run of the army) they come to was the eustoms what twey of husiness and nor. The customs of the financial commissions and the arm of the army) they come to and see what they can get first priority on government contracts of the financial tracts and tenders.

"The business dealings of the pre

period, an increase of more than 400 per cent over the previous two years.

Such figures are, however, largely meaningless, merely the tip of the proverbial iceberg, but corruption has already done considerable damage to the considerable racks or the parade ground.
Retiring generals might be given a coal mine or timber concession. As General Benny Murdaot, the armed forces chief, said to a visiting academic: "normally when people retire (from the army) they come to us and see what they can get in the way of husiness and normally people like this get first

A commission appointed by tha President to investigate corrup-tion reported that "a purging effort (on corruption) must be commenced from the top."

scrupulous about how their funds are apent.

One of the least well-kept secrets of Indonesian life is funds are misappropriated. The present vice-president and former chairman of the country's hlggest scrupilous about how their funds are misappropriated. The present vice-president and former chairman of the country's hlggest scrupilous. Businessman tycoon mash them, whoever they are,"

General Nasution, once senior to Mr Suharto and a close colleague during the early days of the New Order Government, has alleged that corruption is increasing and has attacked what he sees as a growing misuse of official power. As a result he has been virtually ostracised from political and social life.

Recently there have been Recently there have been calls for more open government and in particular more information on how various state run companies are run

nesian dipiomat et the UN with strong Aceb family connections, was short-lived and rigorously repressed. But it did apparently

ignite some local disaffection with the Javanese, who were freely portrayed as "the new Dutch" colonialists. A similar, albeit muted, strain

provincial city of Lhokseumawe site of the natural gas fields being developed by tha Indonesian Government and

The city has seen its popula-tion double to about 600,000 in the past four years alone, with the inevitable conflict between traditional and imported values.

Banda Aceh, the capital, has in

contrast become "very quiet, rather like Berne," according to Govenor Thayeb.

# Islam emerges as growing focus

uncersum, for all-its 700-year presence. Outside its fundamentally attempted in northern General Dharsono once head of Sunative and Salawest, it has ASEAN last year was widely both on Islamic values and on practice mostly as a seen as a warning to the miliprofit animalst, syncretic religion for removed from the doctor in associate with Islamic political groups, especially those of a Saudi Arabis and, now, Iran.

Tet over 85 per cept of Into the most significant political forms which the most significant political forms which is interested. The policy now is to deploy thousends of NU community workers throughout the country, concentrating both on Islamic values and on practical issues, affecting the lives of the average Indonesian Masilms.

The conviction of former out the country, concentrating both on Islamic values and on practical issues, affecting the lives of the average Indonesian Masilms.

The conviction of former out the country, concentrating both on Islamic values and on practical issues, affecting the lives of the average Indonesian more in associated with Islamic political proportion of an Islamic state in which is interested. The policy now is to deploy thousends of NU community workers throughout the country, concentrating both on Islamic values and on practical issues, affecting the lives of the average Indonesian Masilms.

The conviction of former out the country, concentrating both on Islamic values and on practical issues, affecting the lives of the average Indonesian now is to deploy thousends of NU community workers throughout the country, concentrating both on Islamic values and on practical issues, affecting the lives of the average Indonesian now is to deploy thousends of NU community workers throughout the country, concentrating both on Islamic values and on practical issues, affecting the lives of the average Indonesian now is to deploy thousends of NU community workers through now is to deploy thousends of NU community workers through now is to deploy thousends of NU community workers

shich makes Indonesian Muslims the most numerous on

acceptable religions?

Some historical perspective is needed. Every regime in Indo-nesia, from the Dutch coloniallists to the present day, has recognised the latent strength of Islam, sought to contein or neutralise it as e political force. The Dutch tried to domesticate it, by creating new instutitons, bnt ignored the "pesantren," the religious schools, which became, naturally, anti-Dutch. Both Pre-sidents Sukarno and Suharto have tried to assign Islam to distinct, but minority, places in the political composition. President Suharto, in effect, amalgamated the Islamic political parties in the 1970s to increase

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Fet over 85 per cent of In the most significant political of exclopment concerning Islam taffets? the faith of Islam in recent years took place in late. 1984, when the largest Islamic organisation, the Nadhatul Ulama, withdrew from formal

Alms the most numerous on arganisation, the Nadhatui little doubt that the country is currently undergoing something of an Islamic revival.

The questions, therefore, are what sort of revival, who is directing it, and what ara its implications for a country whose official doctrine, Pancasila, merely ecknowledges Islam as one of a number of acceptable religious? party probably accounted for e solid 20 per cent of the vote in all Indonesia's post-Independence elections.

#### Viewpoints

state Pancasila doctrine and privately as a political capitulation by the largest Islamic grouping to the power of Golkar, the government party.

Social void lett vacant ne chargee, by the regime.

The mosque is becoming an increasingly important focus of government party.

NU view. The architect of its fact that it is "fasblonable, decision was Abdurrehmen was, and integrated" will, Wahid, chairman of its national board. The 45-year-old grandson ground for Muslim extremists, parties in the 1970s to increase his control over them. In most of one of the NU'a founders, Indonesian elections over the Islamic party with the Islamic party past 30 years, the Islamic party vote, to the extent that it reflected anything, has beld steedy at about 30 per cent of and a disarming sense of

the their secure the coveragest ers in all areas &

THE PLACE of Islam in Inthere have been a number of the issues of state in which
tweason trials involving Islam is interested. The policy
inderstand for all its 700-year
presence Guside its fundamen
The conviction of former NU community workers through-

either in the Indonesian context or along Saudi, Iranian or even modified Malaysian lines (indeed, he is critical of the policies of the currant Malaysian government in this respect). He does not shy away from being described as an accommodationist and be preaches the doctrines of non-violence and inter-religious tolerance without muslifection. qualification.

Others agree that Islam in Indonesia is experiencing a marked revival, is no longer the preserve of the old, and that the NU may bave positioned itself better than its radical Musim rivals to reap the benefit.

Mr Slamet Bratanata, a for-Viewpoints

The Indonesian Covernment was delighted at the NU decision, which it bailed publicly as a recognition by the UN of the overriding merits of the state Pancasila doctrine and privately as a political capitulation.

Mr Slamet Bratanata, a former minister and now e prominent member of the informal association of government critics known as the "group of fifty." argues that, especially for the young, Islam is filling a social void left vacant, he charged by the regime.

government party. social and recreational, as well.

This, bowever, is far from the as religious, activities; the mer. even though "faneticei Isiam will always exist, even in

leaders, who will undoubtedly shape the country's future in one way or another, are noticeably more "comfortable" with In the past two years, sporadic violence, epparently connected to Islam, has visited Indonesia. The serious Tandjung Priok viots in the port of Jakarta in 1984 certainly started in a mosque, though whether provoked by the police or an ulama (preacher) is in dispute; the bombings last year of the great Buddhist monuments at Boraba-



Muslim girl students on their way to classes in Jakarta. More than 85 per cent of Indonesia's population of 165m are followers of Islam.

employment or some other form iast month the NU co-sponsored, of practical assistance. He feels along with, ioterestingly, the that Golkar, the Government's Ministry of Religion and the political organisation, is inherently united Nations University, a conference in Ball on Islam and deliver, as it has over the years, a modicum of rewards, will decioe as the economy lapses. But Islam will have to offer siderable growth in the publica-

is spending this year in the Muslim stronghold on Banda Aceh in northern Sumatra, is more sceptical of the ability of Islam to All Callends ability of Islam to fill Golkar's shoes. He doing the rounds in intellectual doubts that Muslims will ever circles.
become a "political" majority
in Indonesia and, unlike Mr eroment Bratanata, sees ilttle evidence that the young Muslim military

#### Introverted

Abdurrebman Wahid himself is will always exist, even in placing too much store by the relationships and accommodations he is endeavouring to rising generation of military eithorities. They do shape the country's future in one way or another, are notice-ably more "exportable" with least the country and the country and the country and the country are notice-ably more "exportable" with least the country and the lengths they can take bim and his organisation.

In common with the predom-inant national characteristic, Indonesian Islam is quite in-ward-looking and appears so far largely indifferent to the erguments about the role of Islam and the stete that domin-

Buddhist monuments at Borabaas, in time, to make itself into
dur were ascribed to Islamic an even more effective force
extremists, though proof is still
lacking; some Iranian diplomats
have been expelled for prosethat the NU was constrained by
telysing the word of the Ayatok. it, political persona and the
Sah Khomeint for the great of the great in need of containment. Islam and the stete that domling
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process of some change. Mr
Wahid is known to believe
have come to expect at least lims from other nations on the
some results, be it in petronaga; great global rissues and only Wahid himself is encouraging exchanges of views with Mus-

something concrete as an alternative.

Professor William Liddle, the
US academic expert on Indonessan politics and society who being circulated inside the country is necessarily benign and that the works of revolu-tionary Muslim authors, including some from Iran are freely

From the standpoint of Coveroment foreign policy, bow-ever, Islam does not yet loom as e major factor. Indonesia officers have any interest in a has not seen fit, for example, wider role in the country for to establish diplomatic relations with Israel. There was some sectiment inside the Foreign Mioistry to do so in the wake Both men also believe that largely because Indonesia's bdurrebman Wahid himself is closest connection in the Muslim world is probably with Egypt, but it never came to pass. Indonesia cnjoys relations with boib Iran and Iraq, but

> church and state in Indonesia. The Government and the bal-ance of the military seem still hroadly inient on depoliticising religion, while the mainstream Muslims, like the NU, are em-harked on e course which could lead to political revitalisation. In the meantime, accommoda-tion, uneasy at times, holds

> has avoided mediation and any expression of preference in

Islam entered Indonesia through the province of Aceh in Sumatra. Its people are still the most fervent Muslims in the country, as Jurek Martin reports here.

# Stronghold of tradition

THE PROVINCE of Aceh, on the northern tip of the island of Sumatra, has always been different. If there is one constant strain in Aceh's recorded history—from the visit of Marco

for nearly four years and before Aceh in the pogrom following that was Indonesian Ambassador the 1965 abortive conp. but in Saudi Arabia, where the shariah is the only law.

The differences he finds is that the Islam practised in the pogrom following that was Indonesian Ambassador the 1965 abortive conp. but many Chinese who were implicated finds on the pogrom following that was Indonesian Ambassador the 1965 abortive conp. but many Chinese who were implicated finds on the pogrom following that was Indonesian Ambassador the 1965 abortive conp. but many Chinese who were implicated finds on the pogrom following that was Indonesian Ambassador the 1965 abortive conp. but many Chinese who were implicated finds on the pogrom following that was Indonesian Ambassador the 1965 abortive conp. but many Chinese who were implicated finds on the pogrom following that was Indonesian Ambassador the 1965 abortive conp. The differences he finds is the only law.

rary and intriguing example. Indonesia, as a nation, was distressed by the poor performance of its athletes in the Asian Cames. Jakarta's diagnosis was that inadequate training facili-

that inadequate training facilities were a prime factor and
that funds were needed for
them. The aclution, said to be
the brainchild of Mr Sigit
Suharto, son of the president,
was "porcas," a foothall lottery.

It was, and is, a controversial
scheme, because gambling is
widely considered un-Islamic.
Local authorities in at least two
provinces bave refused to allow provinces bave refused to allow it to be introduced. In Aceb. bowever, it is bardly even men-

Mr Hadi Thayeb, the Gover-nor, explains that the province's Majlis Ulama (Islamic council) declined to rule on its propriety. but has referred the matter to the national Majlis. If it were to determine that "porcas" does not contravene the tenets of Islam, then perhaps-but only perhaps—it will come to

#### The Shariah

In other words, there is no chance of the Government forc-ing on the Acehnese what they ing on the Acennese what they
do not want: it will only come
through religious sanction.
Aceb is, along with the historical city of Jogjakarta, one
of two specially designated
administrative regions in Indotheir conflict.

The next few years are likely to prove crucial in the evolution of the relations between the statement of the relations between the statement of the relations between the statement of the state

more often than not, Governor Thayeb argues that this is not inconsistent with national policy. Indonesia, he says, acknowledges the place of "customary law" which, in Aceh, bappens to be Islamic. In practice, if a judge has to decide a land dispute, then be will consider both national and customary law in making a ruling.

Jurek Martin islam. He has been governor

history—from the visit of Marco
Polo in 1292, through the savage
Aceh, even though stricter than war waged against the Dutch 100 years ago, to the delicate approach now employed by the Indonesian Govern ment in Jakarta—it is that it is illadvised to mess around with the Acchnese, the most fervent Muslims in the country.

Acch, even though stricter than in the rest of Indonesia, is not as rigid as the Wahhabist school of Saudi Alabla (women are not as circumscribed in what they may and may not do in Acchnese. "do not forget that we are part advised to mess around with the Acehnese, the most fervent Muslims in the country.

There is one very contemporate and intriguing example.

A similar, albeit muted, strain of pretare entity, the country of Indonesia."

The brief impressious of a visitor bear out the governor's contentions. Banda Aceb, the capital, is dominated by a magnificent Moorish mosque built by the Dutch at the turn of the century, and the calls to prayer. by the Dutch at the turn of the century, and the calls to prayer are ubiquitous (there is one Catholic and one Protestant church in the city).

The sale of beer is not adver- Mobii Oil. tised but is discreetly evailable. Women dress more modestly than in Jakarta, but the veil is the exception, not the rule. A fair share of the scooters around town are ridden by young

Evening life in the markets and warungs (food stalls) is lively and boisterous. Like everywhere else in the nation, cinemas show bad, invariably violent and soft porn movies.

But modern reality has to be squared with Aceh's bistory. As Governor Thayeb concedes: "Hundreds of years of fighting and infighting against the Dutch, the British, the Japanese and even against our own government bas created a certain mental attitude of introversion." everywhere else in the nation,

introvarsion."
Islam entered what is now Indonesia through Aceb with Arab traders before Marco Polo'a visit. He found an Islamic sultanate alreedy established. By the 17th century, the beight of the kingdom of Aceh's power, its fighting prowess was known throughout

Sumatra and the Malaccan straits. The Dutch colonial regime sought to bring Aceh to beel in the 1870s and 1880s in a war which, by Dutch reckoning. cost 250,000 lives but which the Acchnese say saw 3m people killed. Perhaps because of this, in the Indonesian struggle for Dutch forces left Aceh well

Complaints

But the local population is also complaining that too little of the oil and gas wealth is staying in Aceh, while it is the Javanese, not the Acehnese, who are getting the best jobs. The governor again concedes a problem, but argues that oil and gas are a netional resource and that some skills may have to be imported, if not locally available.

available,
Aceb's history, bowever,
probably means that Jakarta
will be attentive to local discontent, but through administrative rather than political channels.

Professor William Liddle of Ohio State University, an expert on Indonesian political and social development, is spending this year in Banda Aceh training social scientists. He argues that it is possible to over-emphasise Aceb's separation from the rest of the country, its distinctive language, religious traditions and historical independence outwithstanding.

"Aceb may be at the end of Indonesia, but it is unlike Irianjaye and East Timor which are, quite literally, at the end of the world "be says."

It is not known how many are, quite literally, at "communists" were killed in of the world," be says.



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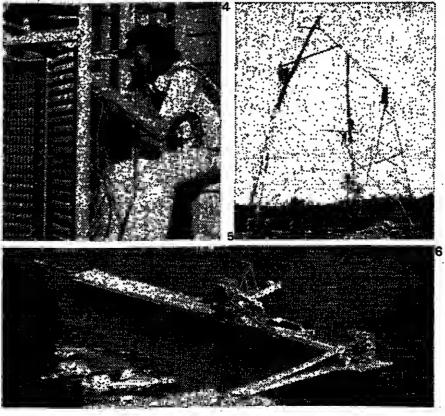
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Alain Cass examines the generals' dominant role in the nation's political life

# Military elite calls the tune

INDONESIAN GENERALS, unlike their counterparts in, say, source of trained leadership and administrative power as fundamental role in governing the country. The army dominates Indonesian politics, has done so for more than 20 years, and is likely to go on doing so for the foreseeable future.

Also for many years, the prime also military men. Seconded or retinguated to develop its backward economy before the state and prime as a reward for second the state and prime as a reward for second to the state and prime as a reward f

On the contrary, far from seeking to camouflage their dominant role the Indonesian dominant role the Indonesian armed forces maintain that they not only have a right hut a duty to guide the country's destiny as well as mointain order and protect its borders. It is, in mony ways, an unique example of military power institutionalised in civilian government.

The army derives its legitimacy in government from its decisive role in the fight for independence agoinst Dutch colonial rule which ended in 1945. The armed forces were

has steadily increased over the years as the doctrine of Dwi-Fungsi or dual function has taken hold and the number of serving and retired officers appearant to ten jobs in governpointed to top johs in govern-ment, the civil service and industry has grown.

Today that dominance is ubiquitous. The president is a general, oo is the vice president. Fifteen out of 37 serving ministars are serving or retired military officers. Neorly half Indonesia's amhassadors, more than tracthing of the regional than two-thirds of the regional governors, one third of the country's mayors and over half the district heads (bupatis) are

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, , , financing & money market activities

\* . . providing corporate advisory services

... participating in capital/equity

Profit before tax

Shareholders' equity

Profit after tax

**Tntal** assets

Seconded or retired senior officers have also been placed in charga of dozens of companies in the state and private sector as a reward for services rendered. Retired officers also sometimes get first refusal on major government tenders and can, as one senior general admitted, "make \$1m or \$2m, put the money in the bank and retire for life."

Over the years this complex patronage has allowed President Suharto to extend and dent Subarto to extend and defend his power hase, promote loyal officers, shunt asida potential enemies or rivals and move from being primus inter pures to dominate a pyramid of which the majority of building blocks are army officers.

Through this system President Subarto's influence reaches down into every government

department, every military unit, every state-run corporation, even every village. President Suharto has also astutely used the hierarchical and paters-alistic nature of Indonesian and especially Jovanese society to reinforca his hold over the country and its institutions.

the experience.

In an impressive analysis of Indonesia's military elite, journalist, David Jenkins, catalogues the differing views within the armed forces towards what should be the army's role in developing the nation.

The book, Suharto and his Generals: Indonesian Military Politics 1975-1983, identifies two distinct schools of thought.

department every military unit. The first, what he describes as every state-run corporation, "the leadership group," a even every village. President tightly-knit and extrordinarily powerful group centred on the President, has been broadly committed to e system it helped to create and in which its members have enjoyed enormous influence and privilege.

The second, which includes a Not everyone, however, has been happy with this oligarchic way of running the country, not even within the armed forces more enlightened view helieving the experience that, as tima passes, the army should yield up more and and reured officers, takes a more enlightened view helieving that, as tima passes, the army should yield up more and more of its powers to Indonesio'o civillan population.

Nobody, according to Jenkins, has gone so far as to threaten the otohility or security of President Subarto's government. Neither does anyone in the ormed forces question the concept of *Dwi-Fungsi*. But a sig-nificant minority, including men like General Abdul Haris Nasution, former army chief and defence minister, and Lt Gen H. R. Dharsono, recently sentenced to 10 years' imprisonment for his dissident views, beliave the systam has gone too far.

machine.

#### Two reasons

Thosa who have challenged the ruling group's view of the armed forces role have done so on two grounds. The first has heen the apparent contradiction between the claim of the armed forces (Abrl), to he above all groups in society, a little like the British monerch safeguarding the country's essential integrity, regardless of party politics, and their self-evident support for Golkar, the government political party.

The second issue concerns tha appointment of military officers to jobs within the civilian sector, in government and the private sector. Answerahle to the chief of staff, these men's loyalties were hound to he divided, reinforcing Abri's hold over the country and weakenlng the civilian sector's ability to develop. The critics want to see this development scaled back.

Another issue, identified by Jenkins, which has run through the debate about the army's role is the corruption which such a system has encouraged.

By 1982 President Suharto and his advisers accepted the need to reduce the number of military men in civilian or hekeryoon capacities, though there has never been any ques-tion of Abri reducing its domin-ant role at the top of the legislative, executive and judicial branches of government, Neither does there seem to be any change in the attitude, developed by the officers prom-inent in the struggle for freedom, that the interests of tha army, the state, and the people remain virtually identical.

The manner in which the regime dealt with Lt.-Gen. Dharsono, who represents a distinctly moderate strain of opposition to President Suharto's New Order regime, also suggests that, while the ruling group will bend to the prevailing wind if it hlows hard enough, it will not tolerate what it regards as disloyalty to the army's-and therefore state's-corporate beliefs.



Gen Benny Murdani, above, the armed forces chief. Below, troops being inspected in Sumatra. Reforms are

under way to create a leaner, more cohesive fighting

#### ARMED FORCES' NEW LOOK

EVER SINCE the abortive coup of 1965—a seminal event in Indonesia's modern history—Ahri (the armed forces) have gone in for periodic shake one to tone the measure shake-ups to tone themselves np, make themselves more efficient and, one suspects, to get rid of officers who do not see eye to eye with the regime,

In the latest of these General Benny Murdani, the armed forces chief, has launched a series of reforms widely admired by foreign observers who military believe they will create a leaner and more cobesive

A highly capable staff officer with a reputation for being hiunt, decisive, aggres-sive and demanding of his junior officers, Mardani has attacked the Indonesian de-fence organisation with gusto. Believing it to be over-burdened at the upper levels with too many separate com-mands leading to conflicting interests, he launched his re-organisation plan in March 1984 and aims to have it com-pleted later this year. His main aims are to rationalise the command structure

forms within each of the three services. He has conthree services. He has con-centrated on honing a rela-tively small force of 20 bat-taliens, organised into two divisions based in Java and Sumatra. This will comple-ment Kostrad, the Strategic Reserve Command, a 19,000man elite force, reputed to be the regime's practorian guard.

Both forces are being fashioned to serve indonesia's new defence concept of defending the country at its borders. This requires rela-tively small, highly mobile able respond quickly to external threats.

The remainder of the army will retain its traditional, territorial role of ensuring internal security in Indonesia's far-flung archipelago.

Indonesia's navy and air force, on the other hand, have lost their traditional territorial function and are being reorganised, in line with the army's elite units, into quickresponse forces able to fight war along Indonesia's

# and institute fundamental re-Army has dual role in business world

function) controls one of the country's higgest commercial and industrial empires in the country, spread ocross a vast and complex network of holding companies. Its interests stretch right over the nation in enterprises as diverse as ship-ping, timber, construction, airines, shipping, antertainment,

banking and cars. Profits from these husinesses are used to supplement the meagre defence budget for items ranging from ex-service-men's pensions, the occasional procurement of weapons, tha building of homes for low-rank-ing personnel and belp for war widows and orphans.

They are olso, officials concede, abused by senior officers in charge of some of the husinesses to line their own pockets.
Each of the major services
has its own network of companies. In addition, divisional
and local commands frequently

panies. In addition, divisional and local commands frequently also operate companies of their own. No figures are published that most estimates reckon Abri companies generote additional funds for the ormed forces equivalent to between 30 and 50 per cent of the defence budget of around US\$2.27bn.

Abri's role la business began in tha 1950s when commanding officers in outlying provinces had few funds to equip, feed and train their units. Powerful local commanders set up profit generating husinesses as a result. One of the first to do so was President Subarto, then a colonel in Central Java. The state oil company, Pertamina, also started out as an army enterprisa under the ill-fated In Sutowo, then o colonel.

In recent years, many of these complements are constructed military elite form of company should be formed formers and local commanders set up profit in the parallel of the first to do so was President Subarto, then a construction in East Kalimanian. a construction in East Kalimanian. a construction in East Kalimanian. a construction and engineering company in construction in East Kalimanian. a construction and proproaches to complement its round of the first company in partnership with Malaysio'a Sime years, recently suits into definition. The Javanese-dominoted military elite form contracts in oddition.

Mr Wanandi, whose family has had close links with Indonesia on the partner provided that the performance of the first in the performance of the first in the partner in the initiant partnership with the streamlining and tonestic in indonesia. The form of company is activities in Indonesia.

The Javanese-dominoted military elite form of companies in an Indonesia of the role played by this element the companies owned by Kostrad, the Strategic Reserve Command and the regime's considerable of the UK, Thomson Carlos in the form of constant partnership with state oil company performance of the first to do so of training from the first partnership wits of the companies owned by Kostrad, the strating partnership wi

THE INDONESIAN Armed recently Gen Benny Murdani. exports coffee, quinine and tea Forces (Ahri) through the who took over as armed forces from West Sumatra. doctrine of Dwi Fungsi (dnai chief in 1983, ordered a Tri Usaha Bakti's annual

recently Gen Benny Murdani.

who took over as armed forces
chlef in 1983, ordered a
thorough review of their activities in o bid to make them more
efficient and profitable.

A major problem, however,
is that, while many of these
componles provide good training grounds, for enquiring
officers with management as
well as fighting skills, they also
provide sinecures for senior
men whom the regime wants
to remove from activa service.

Experiments

exports coffee, quinine and tea
from West Sumatra.

Tri Usaha Bakti's annual
sales figure is put at \$250m,
according to Mr Wanandi,
making it the higgest company
in Ahri's stable.

Since taking over, he bos
ruthlessly streamlined the operation, closing down 15 companies. "We have clear instructions. The company has to be
run on a purely husiness basis,
if one part is not making e
profit it goes," he says.

Mr Wanandi's higgest heod-Contrasts

Many of the regime's existing strongmen rose through Ahri's husiness empire, unquestionally strengthened by the experienca. Others. who were less capabla, or in come cases actually corrupt led military-run businesses into deep trouble, and it is they

Mr Wanandi's higgest heod-che is getting retired senior eche is getting retired senior officers, more occustomed to giving orders than taking them, to become professional business managers. There is, he concedes, some tension hut on the whole "people get down to the joh." Not surprising, perhaps, when a major-general in the army earns less than \$200 perhaps. who are the object of the current shake up. The army owned Bonk Dharma Ekonomi which collapsed in 1968 was one casualty.

Growing market for arms suppliers

FOR AN ARMY with so much political clout, the Indonesian armed forces are surprisingly modest in their shopping habits modest in their shopping habits
A prolinged down-turn in the
country'o oil-based economy
which has meant that there is
less money available for arms
purchases than the military
would like is the first reason.
The second is that identifiable
short-term external threats are
few.

The prime concern of the Indonesian armed forces (Abril) is the maintenance of internal security and order in the archipelago, which comprises 18,000 Islands and extends over an area the width of the US.

the width of the US.

The sophisticated weapons which the Indonesians have acquired conform to Abri's newly-developed doctrine of a highly-mohile force, using carefully-selected equipment to defend this vast country along its borders.

Some of the armed forces, needs are being met by Indonesia's own fledgling defence industry. This includes 57metre and 28-metre fast patrol boats manufactured under licence et the PT Pal shipyards in Surahaya; French-designed Puma and Superpuma helicop-Puma and Superpuma helicopters assembled at IPTN (formerly PT Nurtanio) in Bandung and a wide range of small arms, artillery and ammuniting produced by PT Pindad also at Bandung in West Java. In time Dr Yusuf Hahihie, Minister of Technology and the man in charge of the country's defence companies, wants Indonesia to be selfsufficient in these items.

For the inreseeable future, however, Indonesia will be looking abroad for its more sophisticated needs, Earlier this year it was decided to order eight advanced F16/100 fighter aircraft from the US of a cost of between \$13m-\$25m each, depending on the training, technical assistance, armaments and avionics provided. The deal has been given White House approval but has yet to pass in Congress.

The F16s-Indonesia wants a full squadron or 36 aircrafting A4 Skybawks and F5 Tigers. Negotiations are continuing with Britain, meanwhile, for the sale of an undisclosed number of the British Aero-space Hawk single-seater fighter as part of the country's policy of diversification,

#### Hawk trainers

Indonesia has become an important market for British defence items. Last year BAe sold 20 Hawk trainers to the air force while, last December. air force while, last December, Britain concinded a \$120m deal with the Indonesian army in provide units of the Rapler missile system. A similar con-tract was signed at the end of 1984 for the Rapler.

Talks are also continuing for the possible purchase of up to 600 Scorpion light tanks. Dr Habibie is looking for e collaborative venture with Alvis of tha UK to mammacture the Scorpion. Dr Habible has con-firmed that be is still luterested in the deal, but diplomats doubt whether Indonesia has the funds for such e venture at the moment.

Indonesia also needs larger ships which It cannot manufacture itself, including submarines and frigates. It is negotioting with Britain for the purchase of three Tribal class frigates, and has purchased four destroyers of Dutch origin. Discussions are under way with West Germany—which has provided three 209 class 1300 submarines—the US and Argentina, for the purchase nf larger vessels.

One of Indonesia's most urgent needs is for adequate ground and airborne radar equipment to cover its vast territory. It has already acquired three Boeing 7370 with acquired three Boeing 7370 with sideways-looking SLAMMR multi-mission radar. The air force wants more and there is intense competition between Dr Hohlble, who wants Indonesian-built CN235 transport aircraft to be used, and defence chiefs who prefer to ocquire further Boeing 737s.

Indonesia is also looking for a major ground radar network for the country's eastern opproaches to complement its existing French-built Thomson CSF TRS-2215 and 2230 network in the west Saves likely and t

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Indonesia's relations with the US and Japan have improved, but links with Vietnam loom large, as Jurek Martin reports here.

# A new interest in the world outside

TWO YEARS AGO, President Ronald Reagan abruptly removal of President Marcos in cancelled a South East Asian tour, which was to have included indonesia, because a visit to the Philippings was deemed unsafe, impolitic or both. However, in a few weeks time, the US President will stop over for a rest in Ball, en route to the Tokyo economic summit.

in Ball, en rouse to the long evenume summe.

President Suharto will confer with him there and Indonesian pride—dented by Mr Reagan's non-appearance in 1983, as well as by a couple of other perceived US slights—will have been assuaged, at least in part.

dent Marcos.

easy to answer.

There has also been evidence,

non-aligned status, the preservation of the integrity of the archipelago, and the develop-

ment of regional relationships, such as the Association of South

East Asian Nations (ASEAN),

which remains more of an

economic entity than a political

force. In sum, Indonesia still

does not much like foreign

There have, inevitably, been

some tilts in Indonesian foreign policy in the past 20 years. Relations with the US and

Japan have generally improved, not least because the post-1975

entanglements and initiatives.

**Human rights** 

on the United States."

It is perhaps a commentary speech in Rome, e 30th anniveron, the generally uneventful sary celebration of the Bandung conference of 1955 which gave policy under President Suharto that even a fleeting US presidential visit should be considered of such moment.

Under his predecessor, President Sukarno, foreign policy often seemed an eternal adventure, as the country sought to establish itself in the world after independence, as it associated itself with the hirth and even leadership of the non-aligned movement, and as it annexed Irianjaya, confronted Malaysia and firted, suc-

Malaysia and flirted, successively, with the Soviet Union and China.

Corriously, however, it is tha widespread view among both Indonesian and external foreign policy analysts that the core of indonesian policy to the rest of the world has not changed that much in substance between the the world has not changed that much in substance between the two presidents. The stylistic difference has, of course, been wast between the flamboyant Sukarno and the much more diffident Subarto, whose experience in international affairs was minimal before he took power and whose interests appear to have developed only in the past few years.

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For the most part, President Subarto has been content to delegate the running of foreign policy to a succession of able technocrats, such as the present Foreign Minister, Dr Mochtar Kusumaatmadia,

Although Indonesian officials, naturally, refuse in admit as much, this probably reflects the fact that foreign policy still takes second place to domestic affairs in the eyes of the President's inner circle and those in senior positions in the military.

Of late, however, there have ment on that of President been signs of greater personal carter, because of its harder interest on the part of the anti-communist line and its less president himself in Fastern, pocal himsan, rights, policies, European trip last year a However, US connivance in the

200 Commission with the same of the same o

the Phillipines could cause some anxious soul searching in Jakarta about the real nature of US resolve to help its " friends."

But if Indonesia's hasic foreign policy approach has changed little, tha world around it has not bean static. The emergence of China from its long period of isolation creatas particular members for the contract of t particular problems for Indo-nesia, which still seas a Chinesa hand in tha abortiva 1965 coup birth to the non-aligned move-ment, his curious despatch of General Benny Murdani, the army chief, in Manila with a and whose military laadars still believe that China constitutas the biggest threat to regional stability.

gift of aircraft for former Presi-It was, therefore, with mixad faalings that Indonesia received the Chinese Foreign Minister, Wn Xue Qian, at the Bandung too, that the Indonesian mili-tary is becoming more in-terested in the world outside, especially Vietnam. The ques-tion of who actually runs Indo-nesian foreign policy could be in the process of becoming less easy to answer. celebrations last yaar. Evan though his formal session with President Suharto was reportedly perfunctory, his presance, the first by a Chinase ministar In 20 years, was something of e sbock to the Indonesian psyche But these moves have been to the extent that for the for the most part cautious and moment Indonesia seems intant in no fundamental sense breaking with the traditional mould only on pursuing the most cautious of expanded commerof foreign policy. This remains the continuation of Indonesia's cial contacts with the Peopla's

Similar overtures from the to forge better Asian relations, received an equally circumspect

the Bandung conference, General Murdanl did entertain both the Vletnamese defence and foreign ministars last year, while Dr Mochtar went to

The Foreign Ministry and tha ascendancy of Vietnam in Indomilitary appear to be operating end.

from different, though not if so, that would mark a signecessarily contradictory, persectives. Dr Mochtar's principal mission is as leader of the is widely believed, for example, in this total, the sum individual projects on individual projects. china has, as Michael Leifar of the LSE has pointed out, "re-inforced a strategic dependence ASEAN drive to bring about a solntion to the Kampuchean problem and to restore relations stration has been an improvebetween Vietnam and the US: he sees this as a key test of ASEAN's ability in conduct a chial foreign, policy of its own assumilitary strategists, however, role.

PROPERTY NEEDS TON

Hanoi.



Prasident Reagan: be and

dent Vietnam could serva as a buffar against the Chinese thraat and thus promote Indonesia's security intarests. Indaed, both Viatnam and the US loom large as complemen-tary alaments in the military's

One interesting by-product of the exchanga with Vietoam has been an increase in trada. This had been ticking along at a minimal lavel of only \$2m e year from 1979-84, but in the last four ments of last year. last four months of last year Vletnam purchased \$20m worth of Indonesian goods.

#### New markets

Indeed, the commercial imperativa for Indonesia is now such that it must seek markets it previously could Ignora, which includes China and tha Soviet Union, hrought about hy Eastarn European hloc, as well Mr Gorbachev's determination as Vietnam.

The greater involvement of both the Indonesian Foreign Coming to terms with Vletnam, bowever, is being accorded a higher priority, et least to judge by the official traffic between the two countries.

Though the Vletnamese leader
Ministry and its military with Vietnam has created some misgivings inside ASEAN—and not merely from a country like Thailand which is most exposed to the Kampuchaan issue, and thus most critical of Viatnamese Ministry and its military with ship pointedly refused to ettend policies. Over the years, Indonesia bas been careful not to throw its undoubted weight around iuside ASEAN as its largest, most powarful member. Some other nations appear con-cerned that this deferential approach may be coming to an

> that a principal reason for Prime Minister Ghandi's non-attendance at the Bandung celebration last year was Indian over that span, frustration at Indonesia's paro- Additionally, chialism and disinclination to assume any form of leadership-

The same of the sa

# The Japanese connection

IN JAKARTA, Mr Hedi Soesa-stro, of the influential, military-connected Centre for Strstegic Intarnational Studies, adoptad an air of resignation. "Ovarall, our ralationship with Japan has lost its excitement," he commented, "From an Indonesian point of view, it seems that Jepsn has become irrelevant, which it should not be."

In Tokyo, a senior official at 1974 ....... Prasident Reagan: be and President Suharto will confer soon in Bali line. Having carefully run through the complex web of last because a stable, iodapendent Vietnam could serva as a similarities have adds that 1981 line. Having carefully run through the complex web of last because a stable, iodapendent Vietnam could serva as a similarities have adds that 1982 line. ls now just ona of many coun-tries politically, as far as Indonesia is concerned."

There is no ovarweening crisis in the bilaterial relation-ship at present, hayond the perennial Indonesian concern that Japan, in diversifying its sources of raw material sup-plies, might become a lass avid huyar of Indonesian oil and other commodities. Nor is there the palpahle tansion between the two that was evident, peoples. They have in common a rice-growing haritaga, a social occasion of formar Prime Minister Tanaka's official visit.

Indeed, at a government-to-government leval, relations are cordial and correct, while, less exeltedly, Jepanase tourists are discovering the delights of Indonasia, especially Bali, in avar-increasing droves.

Tha ties that do bind the two nations remain considerable. Japan buys half Indonesia's oil output and 80 per cent of its is easily the biggest shipper of plywood to Japan, increasing exports by five fold in 1984 and thraa fold last yaar. Only the US ranks above In-

foreigo espital investment and oo foreign country has invested anything approaching the sp-proximately \$5.14hn that the Japanese private sector has sunk

Japanese foreign aid, and than the Indonesians, are now tively high. But he concedes Yokohama or Jakarta.

Number (\$m) 1971 ..... 1972 .....

Source: Investment Co-ordinating Board (AKPM).

Japanese banks are leadars in providing credits to Indonesia. Tha connection goes beyond tha marely commercial. An anthropologist could not fail to be struck by the many similarities between the Japanese and In-donesien, especially Javanese, for exampla, in 1974 whan a rice-growing haritaga, a social serious anti-Japanese riots preference for identification by broka out in Indonasia on the groups, rather than individualgroups, rather than individual-ism, and languages rich in indirection and nuance. Even national tastes in cultural fields es disparate as textile design and traditional dance and music are remarkably close for nations

#### 3,000 miles apart. Violence

Though apparently peaceful societies, both have shown occasional proclivities for great acts of violence and cruelty (Japan In the last war, Indonesia in the anti-communist pogrom after the abortive 1965 coup in which several bundreds of thousands ware slaughtered).

Japan, of course, occupied In-dones:a in the last war and sought, with some initial success, to develop the Indigenous burg-eoning sentiment against Dutch colonialism. Many young Indonesian nationalists received Japanese military training and

dying out with the passage of neither would be easy to impletima. They have long since ment.

been replaced by US influence.

Rut what makes the Jananese

for most of the current genera-tion of Indonesian military leaders and government technocrats have acquired their skills either at home or in the US, or both, to the point where Berkeley and West Point "mafias" abound in Jakarta. There is today no comparable Japanese equivalent.

The legacy of the last war has made Indonesia as sensitive to suggestions of renewed Japanese mititarism as any other conquered Asian country. But the good relations Indonesia enjoys with the US and the US enjoys with Japan have created a climate of minimal mutual acrimony on strategic regional issues. In recent years Chine, South Korea and other ASEAN nations bave been more critical of increased Japanese dafence spending than bas Indonesia.

The commercial story is, bowever, different. The stability of the Subarto regime has been considerably. The current rub is that that contribution seems to he drying up.

past two years. More than that, some Japanese partners are forced to contract to buy more pulling out of existing joint oil from China (and less from ventures (in steel, textiles and plywood). Of those that remain, ing its serious trade surplus Mr Masaaki Horiguchi, who runs the Jakarta office of the Indonesia is thus pressing Japanese Export-Import Bank, reckons that probably 30 per cent are losing money and only a furthar 30 per cent are operating at a week. ing at a profit,

Both Mr Horiguchi and Mr Soesastro of the CSIS agree that part of the problem can be laid at the door of Indonesia'a deliberate import substitution policies, which have left many Industries, especially in processing, at market saturation

buyer in a buyer's market, the boot is currently on the Japanese foot.

The plywood trade is levels and thus unattractive to existing and potential foreign

Mr Soesastro argues that new government investment policies and priorities are needed. Mr Horiguchi, who is

But whet makes the Japanese really nervous ia that the underpinnings of Indonesia's devalopment strategy - and, by extension, even its political stability — could be weakened by the collapse of oil and other

INDONESIA 7

commodity prices. For its part, Indonesia's position is that Japan must surely understand that its own regional security policies would hardly be enhanced, and that it is therefore incumbent on Jepan to continue to put its faith, and investment money,

#### Suspicion

The dahata is given particular hilateral point by the Chinese factor, Sino-Indonesian rela-tions, though improved of late, mostly on the Indonesian side. Nevertheless, as Mr Soesastro puts It, Indonesia cannot object to any improvement in Sino-

to he drying up.

There has been e dearth of ping around for cheaper new Japanese investment in the supplies, especially of oil, from China or even that it may be

Indonesia is thus pressing Japan to guarantee it a per-centage of the Japanese domestic oil market (It now has about 10 per cent for nil, or 15 per cent if LNG is included). The Japanese counter is that more flexible Indonesian pric-lng policies might halp. As a buyer in a buyer's market, the

The plywood trade is bedevilled by tariff problems, with Indonesis complaining, with some justification, that Japan is more intent on offering concessions to North American producers.

Japan has promised to iron out any tariff discrepancies by This total, the sum of 212 education.

This total, the sum of 212 individual projects, comprises about one-third of non-oil foreign investment in Indonesia of eign investment in Indonesia is comfortably the largest individual.

Additionally, Indonesia is comfortably the largest individual recipient of reparation, thousands of thinks that lower domestic for even lower duties may interest rates and a slashing of schooling in Japan.

Additionally, Indonesia is comfortably the largest individual recipient of redictal more valued by the Japanese dangerously—and a competitively high. But he conceils.

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Indonesia's economic planners struggle with the problem of plunging world oil prices and the need to see more investment in the energy sector

# Oil: hard lesson in market response

FOR THE first three months of duction limits.

1985, all prices on the interna-1985, oil prices on the interna-tional market took a couple of quick steps downward but Indo-nesia, and many of its Opec hrothers, were not prepared for the downturn. When foreign buyers of Indonesian crude baulked at the country's atiff Opec-tied high cruda price, oil tanks suddenly filled up and production ground down from 1.3m harrels a day to close to 900.000 barrels a day.

During that period it took sluggish strategists at the Energy Department and Pertamina, the state oil monopoly, some six weeks before they could respond to the market and hring production hack to normal. Indonesia learned e hard iesson in market response and flexibility. The country cannot afford to see its oildependent economy stifled while new situations are worked out.

In the rest of 1985 high-level teams continually worked ont market scenarios and colution possibilities well ahead of real market changes, to ensure the country's lifeblood kept flowing. At the same time, they have tried to best satisfy two often conflicting goals of maximising crude export potential and maintaining solidarity with

The Jakarta Government has striven over the past four years to lessen its dependence on oil disarray that it has this January and Fehruary.

The nation's economic planners, who can hardly be faulted for over-pessimism, wrote a 7 per cent cut into the proposed fiscal 1986-87 budget this year. They cannily forsaw the plunge in oil price in the first half of the existing crude market, as drilling is only getting under way, would not be produced commercially for three more years. By then, the market will in the existing crude market, as drilling is only getting under way, would not be produced commercially for three more years. By then, the market will in the existing crude market. A discovery now, as drilling is only getting under way, would not be produced commercially for three more years. By then, the market will probably be on the upswing. The same philosophy bolds for the far east province of the the year. But like oil economists worldwide, they hardly expected the fall coming in January, and for it to go as far as it has,

Oil is still crucial to Indo-In the 1986-87 budget, oil and gas will provide 55 per cent of Government receipts,

About 70 per cent of the country's foreign earnings will come from the same sector. Indonesia has the capacity to produce about 1.6m barrels a

oil is produced by Pertamina, the rest by foreign oil com-panies who act as "production sharing contractors" to Pertamina. The three dozen foreign contractors invest money in ex-ploration in a contracted area, and if oil is discovered in sufficiant quantity to develop, the foreign company can recover its investment from oil sales and afterwards net 15 per cent of production after taxes.

If the companies discover gas and develop it commercially, as several bave, they can net 35 per cent of the sales proceeds after investment costs are

This production-sharing concept, ploneered hy Pertamina in the mid-1960s, has contributed greatly to stable development of the industry in Indonesia. Only recently has it been

#### Slim chances

Another risk is that the chances of e large oil find are increasingly slim. The geology is such that it is doubtful finds and gas exports, knowing that is such that it is doubtful finds the market could fall into the like Calter's Minas field, which has been producing hundreds of thousands of herrels daily

> Despite these considerations, Indonesia attrects investment. According to Pertamina, exploration drilling will increese this yeer over 1985, and seismological survey levels will be only slightly lower, Planned spend-ing for exploretion activities expected to drop 4.8 per cent to \$877m. This represents more of a decrease in the cost of exploration in Indonesia, than it does reduced activity explains

produce about 1.6m barrels a day and has been producing spendiog in 1986 is expected to more than 1.4m barrels a day, including condensate, which is This figure reflects several mot included under Opec promajor projects in process.

by Caltex, the country's largest producer, in Rian Province, Sumatra. Caltex plans to spend about \$2bn by the year 2019 to pump steam into the Duri oil field. It will be the largest ateam flood secondary recovery project in the world.

Atlantic Richfield Indonesia, already producing from an off-ahore West Java block, is putting in a massive development project on the 100 million-bar-rel Bims field in the same region. About 50 wells are being drilled to produce through seven offshore platforms in the first stage of development.

The second stage is expected to be larger, and industry analysts say Arco will not hesitate over the project in the face of a poor crude market.

Three real pioneer areas just being opened up. The first is the centre of Kalimantan, where French companies Total threatened, mostly by the low is the centre of Kalimantan, prices on the international market. The Indonesian archipelago is fairly mature as an tracted immense acreage naver pelago is fairly mature as an oil province, and only a few areas can be called virgin territory. Those areas are mot a expensive to explore, and thus of kilometres away from any minimal accommodations and services and is only managed. services, and is only sparsely inhabited by small bands of

Together, Elf and Total are trying to open up 60,000 square kilometres of harely accessible land; the investment could run into hundreds of millions of dollars. This kind of investment, as one oil executive says, pays no beed to the short-term crude market. A discovery now,

Irian Jaya, the western balf of Papua New Guinea. On the west tip of that province, called
"Bird's Head," for cartographical appearances, oil has been
produced since before Indonesian independence. But the main mass of Irian Jaya land, some areas still populated by stone-age tribesmen, is only just being explored. Oil majors such as Shell, Amoco, and Conoco are actively

Jaya. Exploration in the Arafura Sea is necessarily is that the Indonesian Government provides a stable, attractive environment for the comment of the area are hardly inhebited and no fual or food supplies are readily available. Exploration in the area could be four times countries. Businesswise, Indonesian countries. Businesswise, Indonesian countries. as expensive as the same would

be offshore Java. International giant Diamood Shamrock and e regionel oil company, Promet Bhd of Malaysia, are both taking on Arafura. Both heve contracted their own areas, and bays let the other "farm in" for a per cent. Promet has already drilled one well, judged a dry bole, but will be attempting a second later

Why does exploration con-tinus steadily when in other

need to keep oil production at present levels, and accepts that foreign companies are importtaot to maintaining those jevels.

the Government also under-stands the need to offer them good terms. As simple as this seems, many nations bave diffi-culty offering it all the way that Indonesia does.

To attract foreign companies,

Ian Williams



Oil is crucial to Indonesia's economy. In the 1986-87 budget, oil and gas will provide 55 per cent of Government receipts

British Petroleum's operations in the Indonesian energy sector are unmatched by any other multinational, as Ian Williams reports here.

# BP's expansion plans set the pace

WITH NEARLY US\$1bn allocated to build its position in South-east Asia, British Petroleum has set its primary sights to 5 per cent by 1990. Oil and on the Indonesian archipelago. Starting from early 1985, the company has expanded operations ecross the country at a pace unmatched by any other multinational, taking the posimultinational, taking the posi-tion that while things are slow economically now, the nation's long-term potential looks pro-

saya the oil exploration sector is quickly becoming just a minor part of the company's activities. It is pushing hard into shipping services, offshore

Amoco, and Conoco are actively drilling wildcat wells in romote areas. Shell so far has only encountered natural gas, while reports say Conoco has made.

The third unexplored explored up is the state of the state

Within Indonesia they have already speot almost US\$300m, mostly on hydrocarbon explora-tion. The first step in 1970 was in two offshore blocks in the Makassar Straits between Kalilong-term potential looks promising.

BP's foundation in Indonesia in two offshore blocks in the Makassar Straits between Kaliso oil exploration. Of 10 blocks mantan (Indooesian Borneo) in which BP has an interest, three are producing oil—one more than 35,000 harrels a day. but BP had successes in 30,000 But, Mr John Turnhull, chief executive for BP in Indonesia, block, known as Sengkang and saya the oil exploration sector contracted in 1973, beld a sq km of oushore Sulawesi. This block, known as Sengkang and contracted in 1973, beld a medium-sized gas field of an estimated saleable 400bn cu ft,

BP is still the operator of activities.

It is pushing hard into shipping services, offshore engineering, gold and coal mining, alternative energy development, and downstream oil industries such as refinery management and petrochemical development. Two chickenbreeding projects have also brought in BP technology.

Tha big push began with an Asian strategy summit of BP is still the operator of Sengkang with partner Chevron and also operates the 10,000 sq km Merangin area in South Sumatra. The area contracted from state oil company Pertamina in 1964, is undergoing premina in 1964, is undergoing premination activities. BP redrilled the well of a company which roughly explored the area many years ago, with

well is scheduled for Juna 1 In 1933 BP and Lasmo, another British oil company, purchased the Canadian company Hudhay Oil, which beid interests in Indonesia, Hudhay's on and offshore Malacca Straits block, hetween Sumatra and peninsular Malaysia, has been producing more than 30,000 herrals a day since starting in berrels a day since startup in mid-1984. Hudhay is develop-ing several smaller fields in the same block.

Significant find

Buying Hudbay also earned BP interest in the Madura Straits block, which Hudbay operates off East Java. The area is one of the more promis-ing hydrocarbon provinces in Indonesia and several other companies bave discovered oil and gas. Hudbay has made one gas discovery and is working on a number of other possibilities in Madura.

BP has minority interests, its

significant find later this year. BP has nearly 19 per cent as e partner of operator Marathon

This is only the base of opara-tions. With the gas in the Sengkang block in central Sulawesi, BP hopes to develop with several partners an ammonia plant; discussions are under way on financing. Some under way on financing. Some hesitation has bean felt by anmoula buyers arising in part from the plunge in the oll market which is driving energy costs down. But BP and Perta-mina, which oversees perts of the development, say it is still going ahead.

In other minerals, Indonesie is undergoing a new growth and BP coal is taking e strong and BP coal is taking e strong role. In a 50/50 partnership with CRA of Australia, BP is planning tha development of what is newly estimated as possibly 100m tonnes of high-grade coal in east Kalimantan. The venture, known as PT Kaltim Prima Coal, is reviewing plans for development of an export-oriented mine. Development costs promise to be low. The coal is in large seams breaking the surface with very breaking the surface with very little overburden, and is not far from the coast.

Indonesia is on the verue of

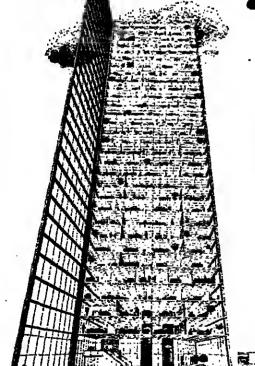
e gold rush, and BP Minerals International is involved. The hard minerals branch of the BP Group has majority interests in four areas in the first stage of

Thesa large operations over-ehadow the smaller, multifarious BP business also making antrances into Indonesia. Mr Turnbull says "We have brought in one man, John Swann, specifically to research new areas where BP might find opportunities to work with Indonesia," he says.

Mr Swann, as business devel-Mr Swann, as business development manager for tha country, says he enjoys his broad portfolio. His work on pitching BP's ideas on tha potential for development of downstream petrochemical industries in Indonesia absorbs e lot of bis time, but this is an area of great promise for both Indonesia and BP. Indonesia and BP.

Working with Mr Swann are esentatives of BP Shipping and BP Solar Systems, both in Indonesia to seek opportunities. With a lot of remote territory in need-of small power systems and communications, BP's photovoltale technology has lots of applications according Systems representative.

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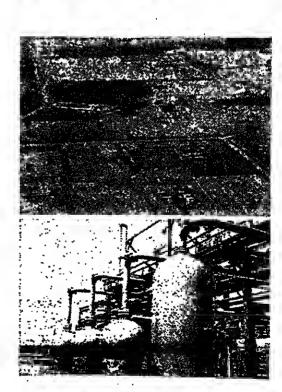


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# PERTAMINA Mobi











Mobil Oil Indonesia Inc



Gas search has its costs

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Chearing drill sites in dense singles populated with pythons, tigers and until a few years agu, head-hunters, oil companies fear but one thing-discovering

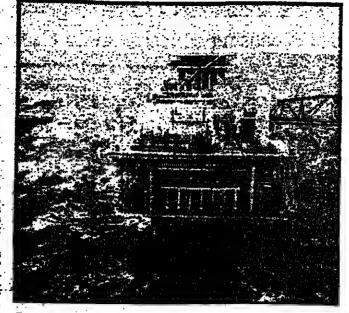
Considerable gas deposits have been discovered on or just offshore all the archi-pelages main island. New discoveries become a costly problem of measuring the field's size and then shutting it in with hopes that some day the wells might he reopened

Indonesia's natural gas de-posits, possibly close to 100 trillion (million million) cu ft ing ranks as o supplier of liquefied petroleum gas.

In 1985 the country exported more than 15m tonnes of LNG. all to Japan, for opproximately US\$3.4bn. This could increase to 19m tonnes by 1990 with two new fscillties producing LNG for export to South Korea and

the markets, the Given country could easily double exports, and still meet domestic demands for o long time. But with the crude price dropping as it has for two yeors—most drastically in the first months of 1986 — potential customers turn their eyes from the more expensive investment and longterm commitment that natural gas requires. In the end though

The lion's share of Indonesian gas is well away from its occulation centres, resulting in limited domestic use. In Aceh, on the northern tip of Sumatra, the liquefaction towers rising out of the coastal jungle represent close to 20 tcl of naturol gas in the area. Most is in the Arun field, discovered and operated by Mobil Oil Indonesia with state oil monopoly Pertamina, Mobil has made more discovered and coursies of the area and further



Large deposits of natural gas have been found both on and off-shore. Indonesia is the world's largest exporter of liquefied natural gas.

(tcf.), have already made it the plants were opened nearby in world's largest exporter of 1984. Yet another train is liquefied natural gas, and are under construction to export plants were opened nearby in 1984. Yet another train is of this year. Even then, there could be double the amount of gas needed to succelly the 20-yeer sales commitments. oushing the country into lead- LNG to South Korea by the end

Abont 1,400 km to the east of the Arun field is an immense field of gas. In the Natura Sea, on the bottom end of the South China Sea, Esso has delineated what could be up to 40 ter in saleable naturol gas. Develop-ments costs and the dim market prospects have hindered exploi-

#### Estimates

The country's other LNG olant is et Bontang, on the sparsely populated east coast of Borneo. Four trains take gas a country like Indonesio with a from fields operated by the Roy wealth of proven energy reserves will ultimately reap the benefits:

BOUT TRAINS Take gas from fields operated by the Roy Huffington Company (Huffco). Total Indonesia and Union Oil on ond offshore in the province on ond offshore in the province of East Kalimantan, Estimates of area gas reserves were about 10 TCF, but new discoveries by Huffco and Total could eosily increase that by 50 per cent.

> There is a large fertiliser taking in the gas, But otherwise the only bope for increased utilisation is an LNG agreement
>
> Both Kodeco. The gas, to fuel industry ing urban area.
>
> Both Kodeco being discussed with Talwan.

Further north, another field discoveries of gas, and further is being produced to turn gaz south other foreign operators into methanol. This will take have also delineated gas fields.

The Arun LNG plant has five fields, but bordly enough to production trains, taking in make a long-term dent in about 390m to five gas annual reserves.

ally. To increase the utility of Another difficult gas field is the gas, two large fertiliser located in central Sulawesi, formerly Celebes. Four years ago British Petroleum dis-

> Plans for the clant's construction are not firm, but BP, which needs the clant to recover its extensive investment in finding the gas, is confident the project will go aheod soon.

Gas is even a higger headache in the fer east orovince of Irian Jaya, the Indoneslan side of Papua New Guinea. Shell, in two areas along the north coast, has encountered more signs of gas in its exploration drilling than anything else. The possi-bility of a large gas find in the areo is higb, but the potential for exploiting it in the foreseeable future is nil.

One other aree of recent discoveries unproven in size, shows greeter bope. Just offshore of the country's second largest city Surshaya, on the east end of Java, some significant finds of oil and gas bave been made. The oil is already being produced by the Korean company Kodeco. The gas could be used to fuel industry in this grow-

Both Kodeco and Atlantic concentrated on exploiting its argued, is vital in order by the development of the development of much of its oll output. Coal, which are generally thought to oreserve vital foreign largest in the region.

Despite shortfalls on the exchange for oil exports.

Estimates of Indonesia's domestic market, Ombillin's production bas been ignored over the past 20 years as Indonesia conservative put resources in the most daily. Even the most conservative put resources in than 300,000 tons to Malaysia, excess of 15,000m tons and some Bangladesh and Taiwan. But Richfield, with brand new dis-coveries offsbore nearby Bali, have bopes of developing the infrastructure to sell the gas domestically, o choice which most of the others do not bave.

TEN YEARS ago, he was at the centre of one of the largest Mr Sutowo bad his own specially uniformed and equipped military guard. He launched an airline, built hotels and golf courses ocross

other things the Pertamina

meny of them involved

assembly.

financial disasters in history, the man deemed largely responsible for taking Indonesia to the brink of bankruptcy. Late lost yeor Mr Ibnu Sutowo, former chief executive of Pertamino. Indonesia's state vil and gas corporation, was given o special award for his contri-hution to the local oil industry boys, in eostern Innonesia. as port of celebrations marking more johs heaped on him by his close friend and confidant, President Suherto. Among 100 years of oil production in

Mr Sutowo, a retired lieutenant general, also occupied a prominent position in a passing-out parade of old army officers. In the same week he and resurrecting a longannounced olans for building o 30-storey residential block on his Hilton hotel comolex site in downtown Jakarta.

The garable of the Permitted US\$2.500 steel min project.

In addition, Mr Sutowo launched a number of private enterprises and joint ventures,

his Hilton hotel comolex site in downtown Jakarta.

The oarable of the Pertamino crash of 1975 has hecome part of the bible of Asian and world banking. As Indonesia's oil output climbed from 510,000 h/d in 1967 to 1,080,000 h/d in 1972 to 1.5m b/d in 1975, Pertamina assumed an overwhelming influence over

an overwhelming innuence over the economy of the world's fifth most populous nation.

The man who hecame known as Asio'a Mr Fixit ran Pertamina almost as a private fiefdom.

The man who hecame known of the ever-smiling, charming Sutowo the world's banks lent increasing amounts of funds, often with only the

No company balance sheets were ever published. In early 1975, the bubble burst as Pertamina started to default on the archipelago opened a restaurant in New York and payments to a number of its started o Texas-style ranch, complete with imported cowcreditors. By then the company and Mr Sutowo hod occumulated more than US\$10bn worth of Seemingly blessed with the Midas touch, Mr Sutowo had loans, many of them short or medlum term.

Problems of the Midas touch

PROFILE: IBNU SUTOWO

#### Dabbled

Most damaging of all, Mr Sutowo had dahhled lavishly in tanker ourchases and charters with various commitments amounting to more than US\$3hn. Bank Indonesia, the central hank, was forced to beil and resurrecting a long-ahandoned US\$2.5bn steel mill out Pertamina while the tech-nocrats—Indonesia's western-trained economists who hed vainly issued warnings about Mr supplying equipment to
Pertamina. There were also
shlpyard interests in Singapore,
e henk in Jakarta, hosoitala and
numerous oroperty interests, Sutowo's profilgacy — took charge. Mr Sutowo, seemingly unrecentant, was "bonourahly discharged."

and automobile importing and It took the Indonesian Encouraged by the boundless from the Pertamina crash.

optimism of the ever-smiling, Compensation for breaking charming Sutowo the world's tanker charter agreements with one of the major brokers involved—Inter Marine Manage-

Earlier this year, nearly 20 years after its formation,
Pertamina — its activities now
strictly monitored by o
multitude of government
departments and committees was finally pronounced accountoble and ouditable. Despite the events of 10 years ago, Mr Sutowo is still a man of considerable wealth and power in Indonesia. His recent 70th birthday party was nearly as lsvish and almost as well attended as in the old, free-spending days. By many he is regarded as the ploneer of the modern Indonesian oil industry.

In perticular, Mr Sutowo is

a During bis time in office Mr
r Sutowo was also careful to build uo a series of mutually larly hadly at the moment is its beneficial financial alliances with leading government figures. He formed an important partnership with tha

own Pertamina's chief executive's ment of Geneva—was only major military business group, equip- word as collateral. settled in 1984. Tri Usahs Bbakti.

He was a faithful supporter of President Suharto's Golkar political group and is said to have contributed large amounts

of funds for election campaigos. Today, Mr Sutowo's business empire-now under the control of his son. Ponco - remains largely intact. His Bank Pacific (total assets 104bn rupiah (£63.15m)) is one of 10 privata foreign exchange.

Sutowo family interests include a travel business and the ranch with more than 12,000 head of Australian cattle. business group continues to be the oil industry. Through his Nugra Santana group Mr In certicular, Mr Sutowo is credited with negotiating e new form of "production sharing contract" with foreign companies in which oil companies commit funds for exploration in return for e certain percentage of production in the stabilished in the certain the free exploration in the certain percentage of production sharing a support companies c

# Coal output set to rise in five-year plan

AN ENGINEER'S nightmere is oll resources and in hecoming go as high of 20,000m tons, taking place in South Sumatra, the region's largest oil exporter. There are three main areas of The trouble is at Torahan, Before the Second World War coal deposits: Ombilin in West Sumatra, Bukit Assam in South Sumatra, Bukit Assam in South where the British Balfour coal production was higher than Beatty company and Dominion it is now: coal has been called Bridge of Canada are huilding a the country's most under-used coal terminal. The project, costing more than US\$70m, is literally ainking.

One environment described it as a current five-year plan.

literally sinking.

One engineer described it as the worst settlement problem he had ever agen. Much of the trouble seems to have been caused by the freakish geological conditions brought on by the eruotion of the nearby Krakatoa volcano more than 100 years age seems than 25 mates for last year put oroduction at Ombilin bas been dimbing rapidly in recent five-year plan, coal years and reached 583,000 tons in 1984. By the end of next year it is hoped that production will reach more than 1m.

In 1984 production at Ombilin bas been climbing rapidly in recent of energy use.

Production at Ombilin bas been climbing rapidly in recent of energy use.

All thet is changing, in the been climbing rapidly in recent of energy use.

Limitally sinking.

All thet is changing, in the been climbing rapidly in reached 583,000 tons in 1984. By the end of next year it is hoped that production will reach more than 1m.

The C Itoh company of Japan and several Britisb companies, including Dowty Meco and British Mining Consultants, are feel that government targets.

feel that government targets Work at the site bas been are unrealistic. However, it going on for some years but is generally realised that now the Government is likely Indonesio cannot afford to allow

to look for an alternative location. The Tarahan project is
just one of the difficulties cent each year, to absorb too
dogging the development of mucb of its oll output. Coal, which in less than four years

go as high ot 20,000m tons, government expansion plans Kalimantan where coal reserves. There are three main areas of concentrate mainly on product are estimated et well over Sumatra and Kalimantann, on the Island more commonly

known as Borneo.

Production at Ombilin bas

beovily involved in work at Ombilin where production of high grade coal has been going Tarahan.

well.

tion at Bukit Assam.

million tons in 1984. Output was less than balf and any sharp improvement in the situation is unlikely in the near future.

There are problems at Tarahan, the terminal from where Bukit Assam's production was to be shipped to the new Suraloyo power station on the tip of west Java. There heve also been difficulties at the mine itself and in the construction of a railway line down to

As a result, large amounts of coal have bad to be imported from Australio to feed the Suralaya plant, where the first two 400 megawatt units are already in operation. The US\$1.12bn Bukit Assam project, 60 per cent funded by the World Bank, is one of the world's largest coal expansion projects. It is also one of the most troublesome. Prospects look brighter in

are estimated et well over 10,000m tons. The Government According to original plans, oims to bave production in production at Bukit Assam Kalimantan running at more should have reoched neorly one than 7m tons by the early 1990s, than 7m tons by the early 1990s.
Preliminary finds hy foreign
companies bove been encouraging and the Government bopes that coal extracted from the area—much of it by open cast mining—will meet the temporary shortfall in Bukit Assam production. However, there is still o serious lack of infrastructure in the often hostile Kalimantan terrain and

foreign companies are still awaiting firm Government soles

awaiting if in Government, and contracts before proceeding with large - scale capital investments.

Few doubt that Indonesia has the potential to become a major coal exporter in the next decade, but first considerable problems have to be overcome. They not only present a big technical challenge but, in difficult economic times, a financial one as well.

- Kieran Cooke

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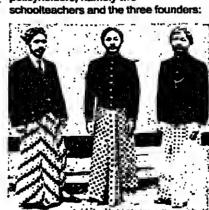
HEAD OFFICE: Jalan H.O.S. Cokroaminoto 85-87-89 Jakarta-Indonesia P.O. Box 235/JKT. Telephone 375609 Telex 44494 BP IA Cable BUMIPUTERA

it turned itself into a life insurance company for the general public. The company could accumulate - as the three founding fathers offered their services voluntarity - the first sound capital basis to give rise to AJB Burniputera 1912 we know today. But still more important is the idealism based on mutual assistance or what is called 'Gotong Royong', the essence of the Indonesian people's way of life. This spirit combined with increasing professionalism are the main powers not only to surmount series of severe

# **BUMIPUTERA 1912** from zero to the largest national life insurance company in Indonesia.

Two and a half years ago, to be exact on February 12, 1982 ASURANSI **JIWA BERSAMA BUMIPUTERA 1912** celebrated and commemorated its 70th

The foundation of Burniputera 1912, the oldest privately owned domestic lifa Insurance company at Magelang in Central Java in 1912, was closely related with the BOEDI OFTOMO national patriotic movement. Unlike ordinary companies, Bumlputera 1912 started without capital. Its initial financial source, which could not be considered as a working capital in the normal sense of word, came from the payment of premiums by the first five policyholders, namely two



Scebroto and Mr. M. Adimidjojo. At the outset the company had been intended exclusively for schoolteachers. Later inflations in the years 1950 - 1966 but also to become the national largest life insurance company with a sound

reputation in Indonesia as well as abroad.

Subsequently its head office moved from Magelang to Yogyakarta and in 1958, to Jakarta where it remains until

#### An Important

Financial Source Bumiputera 1912 as it is today offers a wide range of insurance plans, including educational endowment. student's lifa insurance, credit insurance, accident & illness insurance and pilgrimage endowment, tailored to meet all individual needs. These services are offered through over 750 offices throughout the country. The company developed itself into an Important financial source in the development of the nation. By its Investments (new investments in 1983 amounting to Rp 62 billion) it is giving preference towards real estate. mortgages and securities, office buildings and its aubsidiary companies So far, Burniputera 1912, being at



companies such as PT Percetakan Mardi Mulyo (a printing office), PT Asuransi Umum Bumiputera Muda 1967 (general insurance), PT Asuransi Pensiun Burniputera 1974, PT Burni Modern (owner of Burni Hyatt Surabaya, a 300 room hotel of international standard), PT Eurasia Wisata (domestic and international tourism and travel agency), PT Wisma Burniputera (real estate), PT Macadam Indonesia (construction & engineering) and PT Pertanggungan Jiwa Jaminan (specialized In industrial insurance for low income groups).

#### Shareholder of Financial Institutions In addition, Burniputera 1912 is

investing in stocks/shares of a long list of financial institutions and manufacturing industries.



The outlook for manufacturers and the high cost of domesticallyproduced goods is causing concern, Alain Cass explains here.



Women operatives in a Javanese factory: industrial activity is mainly concentrated on Java which accounts for 85 per cent of all medium and large scale industries

# Slowdown continues

WITH VERY FEW exceptions, Minister of Industry, told re-Indonesia's industrial sector, porters last year that the annual and in particular its young average growth rate of 9.5 per maoufacturing base, is mired

in a deep slump.

The decline in oil revenues bas meant less investment, on the one hand, and less dispostable income, on the other. The result is an unhealthy combination of overcapacity and outdated equipment which bas left many companies on the verge profitable. The industry is operating at below 40 per cent capacity. No more than three of the country's 22 assemblers are profitable. The industry is due many companies on the verge of bankruptcy.

During the boom years of the 1970s, the government made big of existing groups to no more investments in heavy industry. The private sector poured foreign investors are still keen

import licensing and marketing. 

Cement. Capacity was built and production inefficiencies for up rapidly to meet anticipated the slump. Indonesian-manulocal demand and now stands at factured goods, it claimed, were 17.5m tonnes. Nineteen-eighty-

tribution of large- and medium-sized manufacturing industry to the gross domestic product was 10.3 per cent. By last year this had risen to 12 per cent.

to heavy industry.

Industrial activity in Indonesia is largely concen-trated in Java which accounts for 85 per cent of all medium-and large-scale industries. This is doe to better transport facilities, infrastructure and government services. It may also have a major hoost received a set-back last year. The nation's 33 something to do with the fact hack last year. The nation's 33 something to do with the fact hack last year. The nation's 33 something to do with the fact hack last year. that the country's ruling elite plants, capable of producing to come to grips with the concess from Java, by far the most heavily populated of the islands in the archipelago.

The government has already conceded that target growth rates for industry will not be achieved. Mr Hartarto, the low capacity while attempts to penetrate foreign markets are becoming increasingly difficult. Plans to build a large kraft in exposing Indonesian industries to the chill wind of foreign competition.

cent as envisaged in the fourth five-year plan (Repelita IV) is unattainable. Among the worst hit indus-

r a major restructuring which while the private sector poired its money into light manufacturity or enter this potentially lucrating operations, such as textiles, electronics. pharmaceuticals and plastics.

In a recent study, the US embassy in Jakarta hlamed government protectionism, restrictive engine casting plant in Indoment protectionism, restrictive engine casting plant in Indomentary learners and experience.

factured goods, it claimed, were up to 50 per cent more expensive than their counterparts on world markets. Many of the ing no more than 9m tonnes of 222 state manufacturing corporations, said the study, are losing money, their warebouses filled with surplus products.

The emergence of a modern industrial sector in Indonesia is fairly recent. In 1980, the contribution of large- and medium-provoked a good deal of contribution to 100 per cent in 1985, the largest private producer, with a \$20m equity purchase package which

provoked a good deal of con-troversy because of the com-pany's reported links with mem-bers of the ruling elite.

this had risen to 12 per cent.

Large scale

During the 1960s and 1970s, the sector underwent a drastic structural change shifting from industries which relied beavily on the agricultural sector—such as food and tohacco—to consumer durables and medium to heavy industry.

bers of the ruling elite.

Electronics. Industry ministry officials say that wireless producers are operating at 26 per cent capacity while television manufacturers are estimated to bave produced only 298,000 colour and 549,000 black and white sets last year compared to installed capacities of nearly lm and 1.3m respectively.

The government bas

ambitious plans to help industry It intends to ban the import of microcomputers and other elec-tronic goods to help local in-dustry and encourage local investment, particularly timid

Other industries which bave been badly hit by the slump include textiles, consu-goods, beer and soft drinks. gooda, beer and sort drinks.
In contrast some industries
are doing well and some, such
as plywood, are recovering
slowly after a difficult period.

After a number of bankruptcles the plywood industry is alowly picking itself up and making an miching itself up and making an impact on the export market.

Major new capacity is coming on stream in fertilisers with three, urea-based plants ally when Dr Yusuf Habible, the surface of thindstry is to a few—perhaps as few as three coming on stream in fertilisers with three, urea-based plants ally when Dr Yusuf Habible, the under construction. The in-dustry is expanding rapidly having played a major role in helping Indonesia achieve self-

sufficiency in rice. Exports were scheduled to have reached 649,000 tonnes in 1985. Other industries which are doing well include plastics, lowpriced consumer goods, Kretek cigarettes, pharmaceuticals and shipyards. PT Pal shipyard, in Surabaya, which is state-owned, bas had a reasonably successful record in huilding and selling small tankers, patrol boats and coastal freighters. The plan is to turn it into Sontheast Asia's higgest shipyard within ten

years.
In spite of this the slowdown in industry and construction is likely to continue for some time to come. Some policymakers are beginning to blame excessive protectionism and mono-

In the final analysis, Indo- major players in pa nesia has little choice but to make up in the manufacturing sector what it loses in oilrevenues. The point is made by a senior ald worker: "The

their people. Managers, shop-floor personnel, designers need

PROFILE: DR YUSUF HABIBIE

# against the

launching such an expensive sirplane when the budget bas been cut by 7 per cent?"

Dr Habibie, who is Minister of Research and Technology and self-appointed guardian of

the head of a 15 ft table crammed with model airplanes. "I am not going to throw all my plans out of the window just because we are in a tight spot." Many would argue that plummeting oil prices place Indonesia in more than a tight appropriate the contract. On the contrary, replies Dr Habihie. It reinforces his view that the country cannot rely on its natural resources and must push ahead with plans to create an advanced industrial hase through acquising of high

technology.

The 49-year-old former aeronautical engineer has come a long way io a short time. He is chairman of the government-controlled Board of Strategic Industries; he runs the free trade zone on Batam island, off Singapore; he is in charge of PT Pal, the state shipbuild-

of guns from light arms to heavy weapons, and he is said to hlame to be aiming to produce high-technology armaments. Late too small. "We have some last year he signed an arms problems" he admits, but that

DR YUSUF HABIBIE. either co-operation agreement with is as far as he will go, adding more affectively of indonesian by the finite blanc, the French that the aircraft has notched build a product of view, put the question many are asking as the country faces its hleakest economic outlook for years: "Why is Habible build a look for years which build a look for years which build a look for years which build But the enterprise which

gives him greatest satisfaction
—and which most frequently
comes under fire from critics
who accuse him of being an
adventurer — Is IPTN, formerly PT Nurtanio, the state
2erospaca concern. This 2ssembles beliconters and fixed. and self-appointed guardian of Indonesia's industrial ambitions, was referring to plans for the country's fledgling aircraft industry to research and produce a revolutionary aircraft powered by propfan engines in co-operation with Boeing.

"I have been planning this for five years," he said, swiveling in his executive chair at the head of a 15 ft table crammed with model airplanes.

back to the 1960s, when the Indonesian leader was army chief in Sulawesi province where Dr Hablbie lived. Helicopters

The company, which employs 12,000 people on a 150-acre site near Bandung, West Java, produces helicopters under licence from Aerospatiale of France and MBE. It has a licensing arrangement with Bell of the US and technical agreements with Boeing and the Japanese. It is also developing an engine It is also developing an engina maintenance centre with General Electric of the US, which is aimed to serve other countries as well as Indonesia's

IPTN is also responsible for of PT Pal, the state shipbuilding company based in Surahaya,
East Java. and he controls the production of a 15-seater multi-purpose turbo-prop alreaft under licence with Spaln's Aeronauticas SA (CASA). The programme and a number of two companies have also jointly designed and produced the larger CN235. This bas fallen systems.

Dr Hahibie also runs PT according to some reports. has created tension between CASA of Nurtanio. and Nurtanio.

tificate.

Dr Habibie's ambition is to build a 120-seat aircraft to service Indonesia's far-flung areas. "All my work has been in that direction," he says, bence the recent agreement with Boeing.

His abrasive styla, which he concedes bas landed bim in hot water more than once does not go down well with some of his more conservative Javanese col-

more conservative Javanese col-leagues, who prefer intrigua and shadow-boxing to confron-tation. Dr Habibie is also unpopular with some aections of the armed forces and domestic the armed forces and domestic airlines who are unbappy at orders from the President that they should huy from PT Nurtanio and PT Pal rather But Dr Hahibie, a devout

Moslem in spite of his jet-acting lifestyle, seems to delight in his role as a cata-lyst among Indonesia's deeply conservative ruling elite. "If the Chief of Staff decides to buy foreign fighter aircraft I will foreign fighter aircraft, I will be knocking on his door looking for a technology transfer," he

In other ways Dr Habibie is surprisingly conventional. He beliaves passionately, for example, that Indonesian Industry must he protected against the fult force of foreign competition until It is ready to stand on its own feet.

Yet both IPTN and Dr Hahlhie's other projects do not appear short of funds. This may be due to his close links to President Suharto, to his own tenacity, or to both.

His admirers say Dr Habibie bas started an irreversible process which will eventually lead Indonesia into a new industrial age: his critics say that he is too obviously has held and will extend the say that he is too clever by half and will eventu-ally fall our of favour, especially ally fall our of favour, especially seems more of a hope than a if President Suharto steps down.

# Shake up in car sector on the way

AFTER SEVERAL years of decline the Indonesian car in-dustry is in deep troubla and dustry is in deep troubla and faces a major ahake-up. Only a handful of the 21 local assembly plants associated with foreign companies from 12 countries are hreaking even and even fewer are profitable. The rest are on the brink of hankrupter Retween them they they bankruptcy. Between them they produce 30 separate makes and 45 models.

Government plans to guide the motor industry towards local manufacture are seriously behind schedule, too. Most sole agents have slipped in the implementation of plans to incorporate locally-manufactured components in trucks and cars. Government officials recognise that the only way to salvage a viable local our industry is to outspoken Minister of Tech-nology and a confident of Preal-dent Suharto, called for a mas-sive restructuring of the indus-

sive restructuring of the industry last year.

The key to restructuring is that 80 per cent of the current market is served by only four assembly plants, 10 per cent by three others and the remaining 10 per cent by the other 14 producers. A restructuring is likely to concentrate around the four to concentrate around the four major producers—Mitsubishi, Daihatsu, Toyota and Chevrolet. The Indonesian car industry is dominated by the Japanese who control over 93 per cent of the commercial vehicle market and just under 92 per cent of overall vehicle sales.

#### Big names

are beginning to blame excessive protectionism and monopolistic practices in government licensed sectors for the sector's high costs and inefficiency.

The government has responded to the crisis hy drawing up a plan which includes developing the engineering and electronics. Industries, boosting small-scale industries, the development of exports and improvement of research and development of exports and improvement of research and particularly and pa provement of research and de-velopment, and the improve. Utama, dominate the com-Utama, dominate the mercial vehicle market. vehicles are Honda and Toyota.

Unlike some of its neighbours Indonesia can make out a good case for local manufaca senior ald worker: "The single most important improvement they can make is to develop their human resources, their people. Management they can make is to develop their human resources, their people. Management they can make is to develop their human resources, their people. Management the senior assemble to the senior as the senior as the senior assemble to the senior as th moving from assembly to manu-facturing.

But a combination of over-capacity and the effect on pur-chasing power of falling oil prices has knocked the industry prices has knocked the industry sideways. Production, as opposed to installed capacity, has been dropping sharply since 1983. In 1981 production was 201,653 vehcles. If then dropped to 188,653 in 1982 and then drastically to 155,835 in 1983. Last year production estimates were around 140,000. well below balf the installed capacity of 385,000 vehicles a

Indonesia's car industry lacks the economies of scale and the expertise to manufacture anything like the full range of cars and trucks locally. Foreign and trucks locally. Foreign observers estimate, for instance, that truck engines made locally that truck engines made locally—currently a major objective set by the Department of Industry—would be 30 per cent more expensive than imported ones. Another estimate reckons the Toyota Kijang, the most popular pick-up truck in Indonesia, would cost three times as much as world prices if produced in Indonesia.

Nevartheless, the Government is pressing ahead with plans to encourage local manufacture, encouraga local manufacture, although the original deadline of doing so by the mid-1980s is bopelessly ont-of-date.

For the time heing the Government is concentrating on the local manufacture of some components. Even this limited objective is proving elusive, however. One western embassy in Jakarta reports that six local companies producing hrake drums are dangerously near bankruptcy.

bankruptcy.

The attempt to rescue Indoussia's languishing car industry is being done behind a solid is being done benind a solid protective wall of import tariffs. Most cars and trucks 2re sub-ject to 100 per cent import duty. The importation of commercial vebicles in knocked-down form vebicles in knocked-down form is no longer exempt from duty and, last year, the Department of Industry hanned the import of complete engines. These now bava to be disassembled into kits hefore being imported. The hope is that a combination of protectionism and draconian restructuring measures will improve the Government'a chances of nursing Indonesia's chances of nursing Indonesia's and, in time, steady growth.
But with a severe economic recession and no signs of an improvement in demand this



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The difference is that we care

Although they are a small minority among Indonesia's 165m people, the Chinese wield considerable economic and political influence.

# Chinese still a group apart

MAINTAINING a sense of unity and fierce national pride among Indonesia's 165m people has been perhaps the greatest schievement since independence in 1945, Rebellions have come and gone but the overall integrity of the state under the national slogan of "unity in diversity" has been maintained.

But the Chinese in Indonesia. remain a group apart often resented by the majority for their economic power and influence. The Chinese in turn are resentful of government restrictions on their activities and insecure about their posi-tion in society.

Estimates of the number of Chinese in Indonesia vary between 3.5m and 5m. Most are

between 3.5m and 5m. Most are from southern China and speak per cent of the trading sector is in Chinese hands: Chinese are also a major force in hanking and financial services and are the Totol, or pure blood Chinese, are mainly recent the main investors in Indonesia-this century and still to the 1050c the Chinese was increased over the years. As much as 80 per cent of the trading sector is in Chinese hands: Chinese are also a major force in hanking and financial services and are the main investors in Indonesia-this century and still to the 1050c the Chinese was

insnigrants who arrived in Indonesia-this century and still use Chinese as their first language. The Peranahan, or mixed blood Chinese, are descendants of earlier settlers. Many speak no Chinese, have adopted regional customs and are often indistinguishable from the local nomic. from the local people.

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The Dutch colonialists must take much of the blame for encouraging indigeneous antipathy towards the Chinese. In colonial times the Chinese were often used as the administrators of Dutch policies. Quick to adapt, many Chinese went to Dutch schools and became finent in the language. The Dutch exploited recial differences and gave the Chinese considerable economic power.

That power has increased over the years. As much as 80

moved out of the villages to lessen their economic influence at the basic levels of society. In 1965 an attempted coup was blamed on the Indonesian Communist Party, acting in colln- a consequence, few enter state sion with China. The Chinese service and the community bas were looked on as fellow travel-

delicate and appetising in the world, a luxurious mixture of the best China and the best of Indonesia and Malaysia.

The Dutch colonialists must forbidden and the Chinese were encouraged to change their

> Thus Indonesia's most famous Chinese, the business tycoon, Mr Liem Sice Liong, officially referred to within the country as Soedomo Salim, a combination of Liem or Lim and the Chinese word san, meaning three. (Liem and his two brothers are husiness partners).

#### Schools ban

No Chinese schools are allowed, and various constraints are placed on everydey life. Often Chinese find it difficult to enter state universities or find the path to promotion blocked in many state enterprises. Some complain thet they are forbld-den access to sensitive areas, such as computers.

Many find it difficult to ralse

tended to resort to its own resubstantial cash rewards.

Though there has been no Chinese minister in Mr Suharto's New Order Government, Chinese exercise a behind-

> enterprises.
> The Government seems to reallse the dangers anti-Chinese feeling poses; investment from the Chinese community is crucial to the success of economic plans. The armed forces chief, General Bonny Murdani, recently ruled that what he called the divisiva terms of Pribumi and non-Pribumi-separating tha Chinese from the

But suspicions persist on both sides. It will take a long time before this legacy of Dutch rule ppears. their ornate costumes, whiling away their time under the sacred banyan trees.

Even modes of dress and lers. Many were killed in an cources, suspicious of outsiders. Cooking have blended with local anti-communist pogrom.

Through the 1970s there were conditions. The Peranakan Some fied the country and cuisins is one of the most others hurnt their sacred sucest-only in Jakarta but also in the anti-communist pogrom.

Some fied the country and others hurnt their sacred sucestonly in Jakarta but also in the ral records in efforts to disguive hill city of Bandung and in their identity. Most Chinese Ujang Pandang in Sulawesi. temples were closed. Public dis- Such riots were often stirred up by disgruntled local officials. Some of the more radical Muslim groups are in the forefront of outbreaks of anti-Chinese feeling and the Chinese have been used as a convenient scapegoat for chennelling Islamic

> But the Chinese would not have amassed their considerable economic position without fostering close links to those in power. President Suharto is a close business associate of Liem Sice Llong and their relation-ship goes hack more than 20 years. Mr Suhsrto's brother, Mr Sudwikatmono, is a partner in many Liem enterprises.

Other leading Chinese, like the timber and oil support ser-vices magnate Mr Boh Hasan, or the head of the giant Astra Group, Mr William Soeryadjaya, have nurtured strong ties with

Many find it difficult to last loans from state banks. or Netive or Pribumi pushing loans from state banks. or men often complain that government officials favour that licences and im-Chinese with licences and important contracts in return for

> the-scenes political inflnence. The Centre for Strategic and International Studies is a mili-tary backed think tank. Most staff are Chinese. It's head, Mr Liam Bian Kie (locslly known as Jusuf Wanadhl) often acts as spokesman for Mr Liem Sloe Liong. A hrother is in charge of many of the military's husiness

rest of society-should not be



Indonesia is the world's fifth most populous nation: Java is the most densely populated and developed island on the archipelago

# Power rests with the Javanese

"A SPECIAL meeting of President Suharto and some of his key advisers was held at the palace today. Dukuns or spirit doctors were consulted, various portents and signs, lightning strikes and storms were discussed. Special numbers were chosen."

Such Lear-like news is never released. Yet Indonesian political and sociel life does at times seem to belong more to the world of symbolism and ceremony than to more pragmatic, earthly realms. It is what one writer called the X Factor of Indonesia—the world of the

Terms are confusing: when Indonesians talk of the Java-nese, they refer mainly to those who come from central Java, from the richest land on the most fertile island in the world. The Javanese describe their land as the nail from which the rest of the universe hangs.
It contains some of the world's more spectacular scenery with intricate rice terraces, perfectly shaped vol-canoes, lakes, orchards and market gardens. Around the ancient courts of Solo and Jog-jakarta the elders still sit in

Javanese are acutely con-scious of their background and prond of their rich culture and courtly graces. Their dance, drams and music is an intricate hlending of various artistic forms. No voice should ever be raised in anger, self-control must be maintained at all times.

Tha Javanese language, spoken in various high and low forms, is circumlocutory and full of obfuscation. Most Javanese are only nominal Muslims. Ancient Hindu and animistic beliefs play a far more impor-tant role in their lives than

Dukuns combine the roles of folk bealer and soothsayer; when ill even the more sopbisticated Javanese will first go to a dukun and only later to a doctor. Dukuns are also fre-quently consulted to advise on dates for marniages or contract

The Javanese dominate government. Mr Suharto was born of a farming family close to the royal court of Jogjakarta. Mrs Suharto is related to the Mangkunegaran clan of the royal house of Solo.

Many of the president's losest advisers come from central Java—General Benny Murdani, tha armed forces chief, is a catholic from Solo. Retired General Sujono Humardani, the acknowledged palace dukum, is also from Solo.

the mystical power, the divine blessing and an ability to turn chaos into order, poverty into prosperity. He is cautious but

prosperity. He is cautious but firm; he looks after those who are loyal, but is quick to isolate those who disagree.

The ceremonial that surrounds the President, the way he always travels with a sizable court of ministers and senior officials, recalls the time of the old rajahs. Mr Suharto uses Javanese when addressing those closest to him, not Bahasa Indonesia. He has power — and donesia. He has power - and power among the Javanese is

Interpretation But such power can be

fragile. Javanese are deeply aware of elements that might portend change. The old palace, or kraton, in Solo was recently destroyed by fire. A sacred banyan tree in the court com-plex suddenly crashed down. Lightning struck the ancient Buddhist templa at Borobodur.

A volcano erupted.

Javanese were quick to interpret events; perhaps signifi-cant changes were about to take place. Perhaps Mr Subarto was finally losing his wahyu.

Just bow important such things are in government is difficult to gauge. Indonesia is

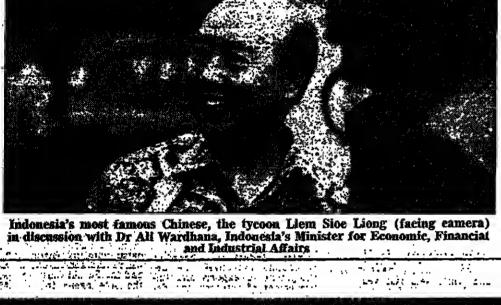
Suharto fits perfectly into the respects is run in e practical Jayanese ethos. He has wahyu manner. Mr Mochtar Luhis, an author from northern Sumatra sometimes critical of the Gov-ernment, feels that the main problem with the traditional Javanese view is one of asal bapak senang — " as long as the boss is happy." The ruler is often shielded from criticism, while various events that might displease him are not men-

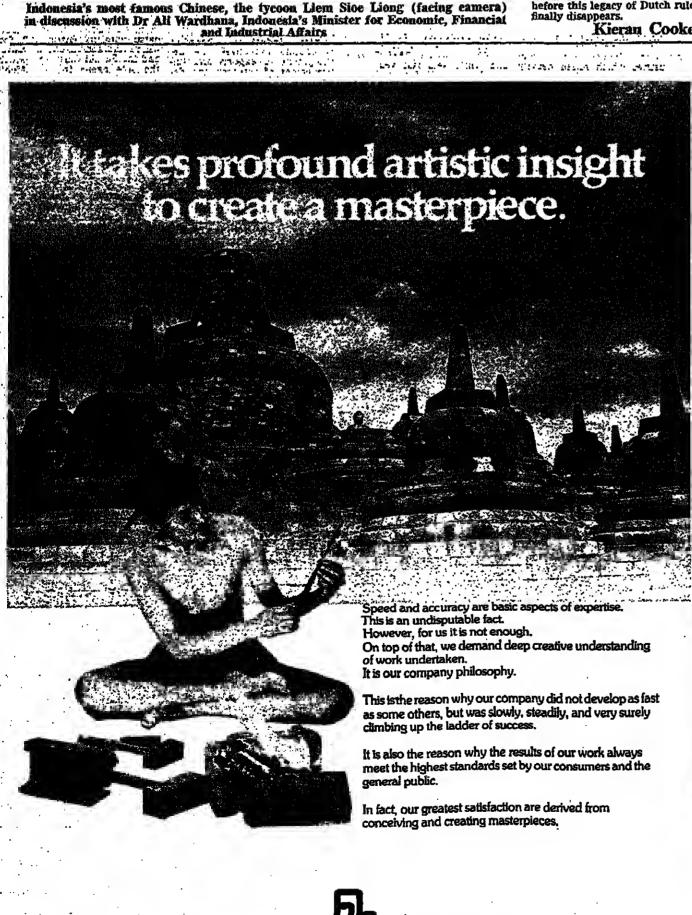
> too introspective and too athno-centric. They are suspicious of outsiders. "The Javanese ere outsiders. "The Javanese ere the ones who want to black ont foreign newspaper articles that might be offensive. They are not receptive to outside ideas, feeling that they have found the perfect way," said one

Yet there are some notable exceptious to this view. Men like Dr Ali Wardhana, the economics minister and from Solo, are truly international in their outlook.

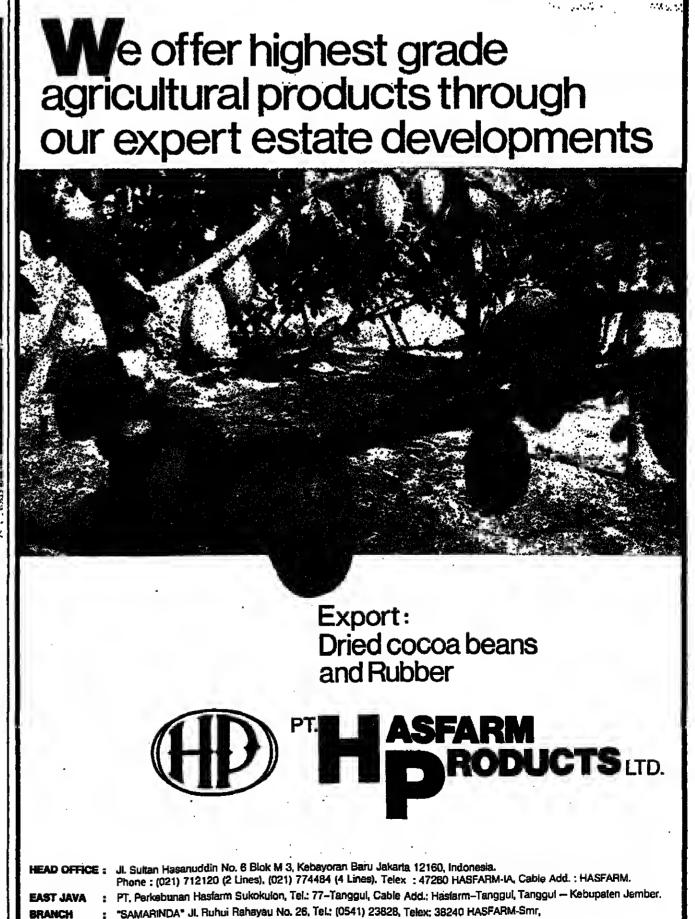
Indonesia would hardly have developed as quickly as it has if it was not responsive to other ways of life. But the Javanese elite remains a secretive group; only they really know just how important the X factor is in Indonesian political life.

Kieran Cooke





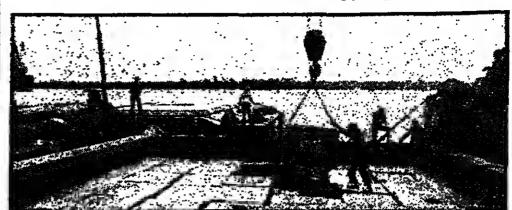




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#### **INDONESIA 12**

Agriculture is the star of the Indonesian economy, and self-sufficiency in food is now a reality, reports Kieran Cooke



Tree-grown rubber being loaded on to cargo ship from a barge at the port of Belawan. The Government is seeking more investment in plantation crops, such as rubber

# Big success in farming

queues were a common sight.

Riots often broke out as the bungry demonstrated against government inefficiencies.

The results of the common sight increased dramatically.

In 1969 farmers used 357,000 tons of fertiliser but by 1984 government inefficiencies.

government inefficiencies.

Today, though the majority of Indonesia's 165m people are still poor—with per capita income well below US\$ 600 per year—few actually starve.

Bringing about a large measure of food security and self sufficiency is perbass the species. ln power.

It has also played a vital part It bas also played a vital part in maintaining peace in the country and sustaining President Scharto's political control. Agriculture remains the dominant sector of the Indonesian economy, accounting for about one-third of GDP and employing 55 per cent of the labour force.

labour force.
Indonesia has a total land area of 1,918,443 square kilometres, of which abut 12 per cent is cultivated. Three islands—Java, Madura and Bali—together make up 40 per cent of the country's cultivated land, though they can't represent 7 though they only represent 7 per cent of total land area. Production of rice, the staple diet, predominates with 38 per cent of cultivated land area given over to paddy.

It is estimated that up to 30m

farmers, many working bold-ings of less than balf a hectare, are involved in rice production. In 1976 production was 11m tonnes but by last year it had more than doubled to 26.3m

Indonesia, which as recently as 1980 was the world's largest rice importer, bad become self efficient and even a potential rice exporter.
The country's success in rice

production according to Mr Suharto, "is not a miracle, but the bard work of a nation car-ried out diligently, based nn a realistic development plan." Rice production was treated as a priority from the late 60s onwards and during the first and second five year plans in the 70s. the agricultural sector received more than 20 per cent of Government development expenditure.

IN THE 1950s, the late 1960s ners. The new strains increased and early 1970s the spectre of plantings to three a year. Use famine haunted Indonesia. Food of fertilisers and insecticides

of food security and self suf-ficiency is perbaps the greatest years an additional 1.3m hec-single achievement of the tares of land bas been irrigated Subarto government's 18 years while the total harvested area of rice fields increased from 8m bectares in 1969 to 9.6m bec-tares in 1984. Smallholders have

ment agency, Bulong, undertook a sophisticated buying-in programme to maintain adequate price levels and supplies to the

#### Rice stocks

Abundance has, brought its own problems, Bulog now has stocks on its hands of 3.5m tonnes. Mr hands of 3.5m tonnes. Mr Suharto is known to favour holding a large rice stock to guard against sudden climatic changes and the politically damaging prospect of a resurgence of food shortages. Bulog had to borrow 1,900bm ruplahs (\$1.7bn) in subsidised loans from state banks last year to finance its operations, and warnings had been given of banktoon by the Government.

In his hudget speech earlier this year Mr Suharto said the Government would in future other properties of the substitute of th

Government would in future shoulder more of the rice-buying burden. In addition, many credit schemes bave been phased out and more stringent quality controls on rice have been introduced. This bas not pleased the farmers, who have seen the price for their paddy drop over the past 12 months.
Current Government plans
call for a 2.5 per cent average
annual increase in rice pro-Up to 1984 it had also received duction over the next five years

In 1984 cassava production rose 22 per cent to 14.2m tonnes while corn production went up by 5 per cent to 54.4m tonnes. Sugar production has quad-rupled over the past 10 years and all imports have now ceased, but prices continue to be considerably higher than those on the world market where over supply in recent years has led to steeply declining returns for producers.

Government policy is to raise production of secondary food crops, like cassava and corn, and to pay greater attention to cash crops in the plantation sector such as rubber, coffee, cocoa and palm oil. The fourth meanwhile been organised into a network of co-operative units and advice on new metbods bas heen given by thousands of unil rate of growth of 3 per cent in the agricultural sector compared with an overall target of 5 per cent GDP growth each year, ment agency. Bulong, undertook

Yet, although rice production is likely to continue to expand—albeit at a slower pace there are worries that with declining revenues from oil and gas exports the Government will no longer bave adequate funds to finance the necessary intensi-fication and extensification schemes for further growth in other crops. There is particular concern at the slow level of

ticular have not come anywhere near to achieving their poten-tial, and many firms involved in schemes such as shrimp breeding have gone bankrupt, mainly because of lack of financial back-up.

Overall, therefore, over the past 15 years agriculture bas been the star performer in the Indonesian economy. In 1984, growth in the sector was 10.2 per cent. Few expect those heights to he reached again. nearly \$2bn in foreign aid.

A mass guidance programme called Bimas was launched to pares with an average annual educate farmers in new production increase of 5.1 per duction techniques and to introduce the new "Green revolution" other crops such as corn, soyance strains. Intensification and extensification were the buzz words of the agricultural plan-

# World's leading plywood supplier

OUT ON the remote island of Seram, in the east of tha Indonesian archipelago, stands one of the world's largest ply-wood mills with a 16 line production facility capable of turn-ing out a massive 40,000 cubic

ing out a massive 40,000 cuhic metres of plywood each month. The mill is owned by tha Djajanti group, one of Indonesia's largest timber conglomerates, run hy Mr Burhan Uray, a flamboyant local Chinese businessman. The Seram factory was opened with great fanfare by President Suharto in late 1983. But today much of the machinery at the factory lies ldie.

The Diajanti group has accumulated debts estimated to be more than US\$220m and only a salvage operation by two of Indonesia's major state banks
— the main creditors — has kept some production at Seram

The problems of the Djajanti group are shared by many other companies in the Indonesian plywood industry, where over-rapid expansion bas led to falling prices on the world market. Ten years ago there were only two plywood mills in Indonesia, Now there are more than 100 with another 25 under construc-

Production last year was about 4m cubic metres, making Indonesia the largest plywood supplier in the world with about a 70 per cent share of the

The spurt in production came in 1981 when the government decreed that exports of wbole logs be gradually phased out, stopping altogether at the beginning of 1985. In the interim, only those companies which invested in downstream industries such as plywood and sawn timber mills would be able to continue the incrative whole log export business

#### Expansion

The government also encouraged downstream expansion by leaning on state banks to give generous building loans to the timber companies.

increased dramatically, little attention was given to marketof plywood products. producers, such as the Philippines and Malaysia, accused In-donesia of plywood dumping and of driving down prices.

In 1982, before the Indonesian industry expanded, the plywood price was about \$320 a cubic metre. Now, with slight varia-tions depending on quality, the price fluctuates between \$230 pite low labour costs, many Indonesian companies have gone bankrupt while about 2m cubic metres of production capacity is not being used.

Over the past year, however, the industry bas made considerable efforts to reorganize itself. The weaker, less financially sound companies bave gone out has told the banks not in give any more loans for plywood production expansion

The government has also encouraged the formation of a joint marketing body to control export supply, and ultimately it is hoped, price. A new firm, PT Fendi Indah, operates as a trading bouse for plywood. managing ready stocks for spot sales in major consuming coun-tries, like Japan and the US. In a further effort to control

prices, plywood is likely to be introduced as the next item after rubber and coffee on the monwealth Development Corporation (CDC) and other international institutions have pledged to help with about a third of the funding costs.

With the serious financial indenesials arter rubber and coffee for the number two position in the funding costs. for the number two position in Indonesia's export earning league. The value of exports has gone up from only \$163m in 1980 to \$880m last year. This was the value will see the control of This year their value will pro-hably exceed \$1bn.

hably exceed \$1bn.

China, with which Indonesia recently re-established direct trading relations after a gap of nearly 20 years, bas now become the largest export market for Indonesia's plywood, followed by the US and Japan. Sawn timber exports have also increased substantially from \$85.8m in 1978 to \$234m in 1985.

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Plantations in cash problem

tions sector. For years, planta-tions had been largely ignored. This was due, in part, to the growing abundance of oil

Little attention was paid to other sectors as what have been called "the drug years" of the oil boom continued. But plantations also recalled the long years of Dutch colonial rule: they symbolised a much-despised system of indentured labour and exploitation.

Only recently, with the downturn in oil prices, bas the Government emphasised the importance of plantations, re-babilitating and developing large tracts of land in various

Government emphasised the Government and developing large tracts of land in various parts of the archipelago.

Most plantations are run by the state. Some, particularly in Sumatra, have successfully rebabilitated and are making profits. The Nucleus Estate Scheme of plantations are run by the state. Some, particularly in Sumatra, have successfully rebabilitated neglected estate land and are making profits. The Nucleus Estate Scheme of the chronically overal plantations are not be state banks on loans running at 16 per cent or more, bow eaused serious difficulties in the state plantations; many of the state companies, called PTPs, bave become too big and are unable to find sufficient funds for costly crop improvement. The Government had hoped to alleviate some of the burden carried by the state plantations its Nucleus Estate Scheme bas run into many state Scheme. The scheme, con-

INDONESIA'S planners have a celved in the mld-70s and enwell-deserved reputation for almost too conservative in their approach. But in the plantations in which 80 per cent approach. But in the plantations in which 80 per cent approach. But in the plantations in which 80 per cent approach. But in the plantations in which 80 per cent approach. But in the plantations in which 80 per cent approach. But in the plantations in which 80 per cent approach approach. But in the plantations in which 80 per cent approach. But in the plantations in which 80 per cent approach. But in the plantations in which 80 per cent approach. But in the plantations in which 80 per cent approach. But in the plantations in which 80 per cent approach. But in the plantations in which 80 per cent approach. But in the plantations in which 80 per cent approach. But in the plantations in which 80 per cent approach. But in the plantations in which 80 per cent approach. But in the plantations in which 80 per cent approach. But in the plantations in which 80 per cent approach. But in the plantations in which 80 per cent approach. But in the plantations in which 80 per cent approach. But in the plantations in which 80 per cent approach. But in the plantations in which 80 per cent approach. But in the plantations in which 80 per cent approach ap pragmatism, often seeming alms to establish a network of almost too conservative in their approach. But in the plantatons in which 80 per cent to the small bolders and 20 per cent to the developer. The developer ing hopelessly optimistic and schedules only rarely being realised.

In the 1970s the Government decided to make a big push to improve output in the plantations sector. For years, plantations had been largely ignored.

This work was the plantations and clearance and assists in much of the planting: he also buys in the produce of the smallholders. The scheme fulfils many of the objectives of Indonesia's development.

Smallholders account for the bulk of each crop output. Sbort-

Smallholders account for the bulk of cash crop output. Shortage of cash plus a lack of the latest technical knowledga has tended to lower productivity among the smallholders. Quality has also suffered. Costs are increased by transportation and marketing difficulties.

#### Difficulties

The Nucleus Estate Programme was seen as playing an important role in rationalising the system and bringing small-bolders into a series of more

the next five-year development targets are to be met nearly \$6bn will be needed.

With the serious financial constraints brought on by the drop in the price of oil, which still accounts for more than 60

per cent of Indonesia's foreign exchange earnings, it is un-likely that the Government will be able to shoulder the rest of the financial burden involved in the Nucleus Estate Scheme.

Originally, the Government boped for considerable help from the private sector—both local and foreign—in developing the Nucleus Estate Scheme. This had not been forthcoming. Investors bave baulked at providing funds for a system over which they would not bave entire control.

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# 'An awakening colossus'

NAME a dozen commodities tional growing areas of north crop maintenance and expanthe harvest in Brazil, are likely and Indonesia is at the Sumatra, but also in South sion of planted lands. Infratoreach US\$900m this yeer. fop, or very hear the top of Sumatra, Sulawesi, the easterly structure is often inadequate. Pepper exports are also in South structure is often inadequate. and innomena is at the top, or very near the top of the league table. It is the second largest producer of rubber and palm oil, the fourth largest exporter of coffee, the fifth of tea.

In the past two years it has become the world's leading Government targets call for an plywood exporter. It is additional 645,000 hectares of also the second largest exporter rubber to be planted over the of tin and is becoming increasingly significant in a whole total area to 3.11m bectares by range of metals. "Indonesia," 1989. said one foreign trader. "is like an awakening colossus, It has so many resources, so much potential."

Indonesia's commodities were the object of hitter battles between rival colonial powers and traders over the centuries Yet ever much of the past 30 years many commodities have been ignored. In part this was due to the legacy of Dutch colonial rula and resentment of anything to do with the hated plantation system.

It was also a reflection of the growing importance and wealth that oll resources were bringing to the economy. Only in the past 10 years has there been any real push to exploit non-oil and gas resources and build up a large scale commodities infra-structure.

The government is now making a determined effort to increase rubber and oil paim production. By 1988, plans are to increase rubber and palm oil production to 1.5m tons and 2.5m tons respectively.

So far progress on increasing rubber output has been relatively slow with production in-creasing from 838,000 tons in 1970 to an estimated 1.14m tons

Palm oil nutput, encouraged by expanding demand and higher prices in the 165m-strong domestic market, has jumped from 217,000 tons in 1970 to an estimated 1.2m tons

Cocoa production is another priority: government targets look for a tripling of output from 18,600 tons in 1984 to 56,000 tons in 1988.

Vast tracts of land have been cleared and planted in recent years, not only in the tradiprovince of Irian Jaya and in The size of the domestic mar-Kalimautan on the island of ket is also a restraint on some

Crop hectares of paim oil are to be increased from 494,000 in 1983 to just under Im in 1988.

So far progress on expansion has been slow. There is a abort-age of ready investment for the costly operation of land clear-ing and planting. Investors are also worried about government insistence on pushing through its nucleus estate programme in which an estate holder would be expected to give a large amount of support to small-hnlders, clearing their land and buying their produce.

#### Restrictions

Foreign investors have been cautious about putting their money into plantation crops because of land title restrictions and short-term leasing arrange-

There is still a long way to go to make Indonesia's commodity sector efficient. Productivity still tends to be low, Rubber yields in Indonesia at present average about 410 kilos per bectare or about 40 per cent below those in Malaysia.

Smallholders account for the

Smallholders account for the bulk of casb crop output. They produce 74 per cent of Indonesia's rubber, 94 per cent of its coffee and 93 per cent of its tobacco. In many areas little money is available for better

OUTPUT OF COMMODITIES

(Figures in m tonnes)

rijans transporter i ir filosofiam i ir traite rejonomi i iranis ilikuli ir tokul

commodity earnings.

Because of sbortages and rapidly rising prices the government was forced to ban ell exports of crude palm oil (CPO) in 1984. Last year CPO exports were again resumed and reached about 400,000 tons. Estimates for 1986 CPO exports are about 800,000 tons out of a total promational Tin Council opposits. for 1986 CPO exports are about 800,000 tons out of a total pro-800,000 tons out of a total pro-duction projected at 1.3m tons. Indonesia's share of world tin Some producers complain production has dropped from that because of government 16.2 per cent in 1980 to 14.2 directives aimed at ensuring per cent in 1984. that because of government directives aimed at ensuring

adequate supplies of CPO on the domestic market they are unable to meet many export re-quirements. The chairman of the Indonesia Palm Oil Pro-ducers Association, Mr Halim Nasution, says that more attention should be given to exports.

"The policy that allocates most of the palm oil production for domestic cooking oils should be revised because this policy makes us unable to guar-antee our overseas customers a continuous supply."

Maleysia hes often expressed its concern about Indonesia's ambitious plans for commodity expansion. But though stepped-up rubber production in Indo-nesia has forced many Malaysia piantations to go into other cash crops, CPO production in Malaysia—at present 4.5 million tonnes—is likely to dominate the world market for some

time to come.

Coffee and pepper are the two bright spots in the Indonesian commodity scene at the moment. Coffee exports, buoyed by rising prices on the world market, because of shortfells in

(target)

2.5

Pepper exports are also climbing rapidly, again eocouraged by higher world prices. The picture elsewhere is

#### Price falls

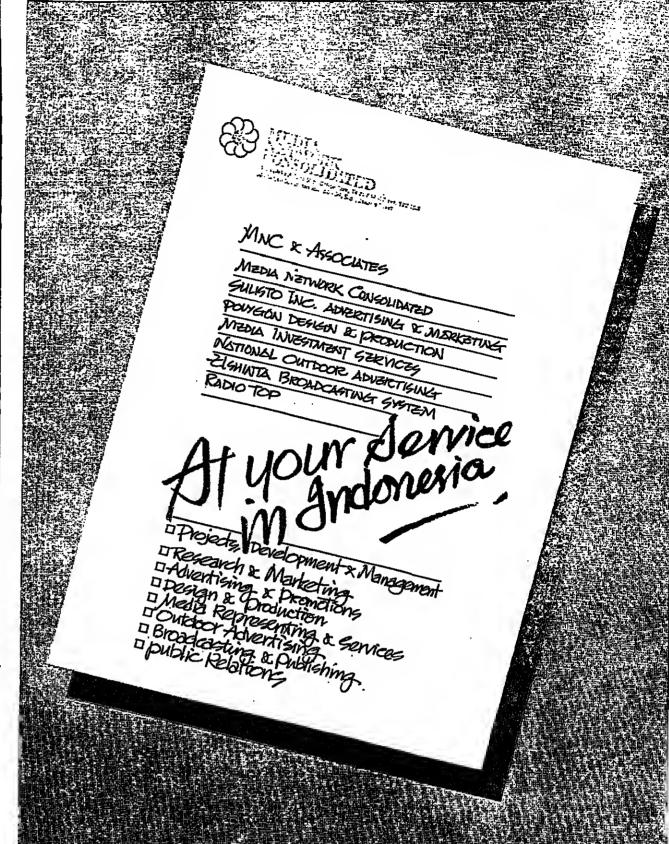
While plywood production has increased sharply in the producer countries blame the too rapid expansion of the Indonesian timber industry for depressing prices. Attempts to regulate exports have so far met with only limited success due to opposition from many cash-hungry plywood manufac-

Metala bave suffered similar problems as world prices continue to fall. The single largest foreign investment in Indonesia—the US\$1bn Inco Canade nickei mine in central Sulawesi—has announced it will close down its operations for a time this year in an effort to cut losses

In the first six months of 1985, non-ferrous metals exports increased by 46 per cent in volume terms but only 3 per cent in value. Meanwhile over the same period the value of non-oil and gas exports went up by only 2 per cent though they increased substantially in volume terms.

Rubber exports went up by 20 per cent in volume but increased by only 1 per cent in value. In 1984 the value of non-oil and gas exports had increased by more than 17 per cent. The commodity colossus might be awakening but there is still e long way to go before all its strength can be used to benefit the Indonesian economy.

Kieran Cooke



INCOMEX: INDONESIA'S LIVELY NEW COMMODITY EXCHANGE

# Attractive prospect for traders

INDONESIA'S usually heavy- Lumpur exchanges. A domestic establish a local price for the selves six months forward. handed regulators must have overlooked the fledgling com-While the stock market and with trading on the commodity interbank trading are mired in bourses of nearby Singapore strict controls written by and Malaysia.

conservative, cautious government administrators, Incomex rated trading of its second item, is remarkably free of coucoffee. The first, rubber, was

If there is to be a take-off anywhere, it will be in Incomex. This is only right: Indonesia is a world-class exporter of dozens of commodities—coffee, rubber, tea, plywood, palm oii, cocoa, pepper, and other spices. If development schemes go as planned, Indonesia will soon be number one in palm oil and rubber, as it is already in ply-

But many of these are marketed on prices from Lon-don, Kuala Lumpur and Singapore. The commodities them-selves are often sold, illegally, on the Singapore and Kuala

coffee. The first, rubber, was listed last April. Trading of rubber has not boomed, the market recording e volume of only 2,000 tonnes in its first eight months.

#### Coffee listing

This is due to two factors. The international rubber market is depressed with prices very low, and the market is not offering futures contracts. The market administration is keen on futures, but the regulators are cautious, end for the time being only physical contracts are traded.

Coffee was brought on to

commodity market would estab-iisb local prices, and remove from the London exchange via the middleman cost associated BBC on their scratchy, shortoffered on local, physical coo-tracts for one, two and three-month delivery dates. Mr Yanda Mohammad, Incomex secretary, optimistically calls them "semi-

The new coffce listing was untimely. With the failure of half of Brazil's coffee crop, internetional coffee bean prices beve shot up and demand is especially strong. The last Indonesian crop has already been picked, and most delivered if not committed so there is no coffee the leagues of commendations and intercrop has already been picked, and most delivered if not committed so there is no coffee the leagues of commendations. futures."

market.

The new crop is only now being barvested, and in six months or so there should be some trading action. Even then, it will not boom, as many traders bave committed them-

But this is incidental. In-

comex is seriously planning on BBC on their scratchy, short-wave receivers to figure out at the year and, more importantly, what price they should seli to traders. Thus coffee is only possibly for both rubber and opeoing up futures contracts, possibly for both rubber and coffee. The dozens of traders already joining the twice-weekly trading sessions in the central Jakarta market building say they are keen.

and most delivered if not community mitted, so there is no coffee tha leagues of community available to be traded on the treders, plantation operators and small farmers. While tradingly a year old, it will be barely a year old, it will ing la barely a year old, it will certainly bring to life the sleepy stock and commodity exchange

Ian Williams

# **Plantations** face cash problem

CONTINUED FROM PAGE 12

of the Dutch colonial system, any new foreign intrusion into the country is viewed with suspicion. Foreign companies are not allowed to hold title to land. This must be held by a national. Nor can land be used as collateral to raise banking funds. Leases tend to be granted for a maximum of 35 years—unattractiva in comparison with many other countries and not adequate enough to guarantee a continuing good return on large scale invest-

"There is," said one foreign expert, "an ambivalence to continue to operate: London wards foreign investment, a Sumatra, owned by the Harriparanoia of renewed foreign sons and Crossield group of the Control over national resources." UK, runs palm oil, rubber, tea seems adamant that foreigners in North Sumatra. will not hold land title though Socfin, the Belgian planta-other members of his admini-stration realise that something with the Government in planta-

Rubber production

	Small-		
	Holder	Estate	Total
1979	610	282	898
1980	715	306	1,021
1981	642	320	962
1982	585	314	899
1983	689	228	1,017
1984 Source: Rubber Pr	17/2 Indönesien roducers	D/2 Associa	1,100 tion of

Timber production

	Produc- tion* 900 m3	Export*	Value in \$m
1979	25,065	19,610	1,787
1980	21,740	14,327	1,896
1981	15,954	8,425	1,035
1982	13,915	5,890	850
1983	9,702	6,613	891
1984	1,204	2,123	385
*Ti	mber iog	s only.	

President Suharto himself and cocoa piantations, mostly

must be done if plantation tions totalling 47,000 hectares, the Government in a Nucleus targets are to be met. But again in North Sumatra. Both Estate project in Sumatra. Howdesplie the considerable hurdles, London Sumatra and Social ever, reguletions on financing despite the considerable hurdles, London Sumatra and Social ever, reguletions on financing a number of foreign companies (under the local company, development of smallholder

Main trading partners

term marging b	HI	•	
9	of total		of tota
KPORTS TO:	trade†	IMPORTS FROM:	tradef
Japan	47.3	Japan	23.8
us		US	18.4
Singapore		Singapore	12.9
Netherlands	1.5	Saudi Arabia	9.7
Australia	1.3	West Germany	5.9
Hong Kong	1.2	France	3.1
West Germany	1.1	China	2.8
UK	0.8	Australia	2.7
Italy	0.8	Canada	2.3
Philippines	0.8	UK	2.1
†Figures for 1984.	0.0	<b>VA</b> ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	
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Socfindo) have made handsome land and the 80 per cent split profits in recent years, particularly during the boom in palm not apply in the project.

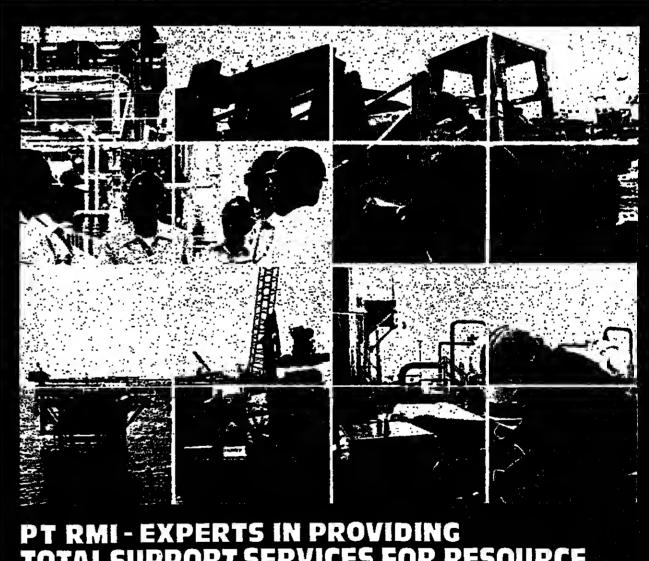
Oil prices in 1984.

Meanwhile, plans for expansions.

Finance Corporation (IFC) and

Some new foreign invest-ments are being mede. The the Anglo Indonesian Company World Bank's International — seem to have stalled, apparently because of objecthe CDC are co-operating with tions in some Government de-the Government in a Nucleus partments to more foreless infinence in the plantations sector.

Kieran Cooke



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implementation of your project. When you need jungles cleared, mountains moved, facilities installed and operated, PT\_RMI can do it for you. We feel that your projects can benefit from our "total support concept". Our services include

turnkey construction projects, mechanical maintenance, construction and operation of onshore and offshore oil and gas production facilities, engineering design services, logistic support including, procurement, supply and transportation, training, management and advisory services, as well as many other areas of operation

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RESOURCES JAYA TEKNIK MANAGEMENT INDONESIA An Hasanudsia 58 Medayoran Baru Jakarta Selatan, Indonesia 734585-774723 Osbyell Resources Telesi 47129 RMIJKT Much of the island of Kalimantan remains inaccessible, but it is rich in oil, gas and timber resources. Alain Cass explores new developments.

# world apart in Kalimantan

THE CALL It Beverley Hills, Balikpapan, which is a bit of an exaggeration but it makes the point. The locals call it, more approprlately, Kampung Amerika or American Village.

It is, in fact, a world apart for expatrlate oil workers and their families, set amid manigured lawns swimming pools

cured lawns, swimming pools and tennis courts on the hills abova the boom town of Ballk-papan in East Kalimantan, headquarters of the province's petroleum industry.

This athereal world over-looking a harbour of oil flares and supertankers, sprawling bovels and supermarkets belongs to Union Oil of the US and is matched, elsewhere in the town, by similar, though not quite so luxurious, compounds owned by Total of France and owned by Total of France and Huffco of the US.

state-of-the-art kitchens which come with each luxury hungalow. Every few weeks the families emerge for a quick dash to Balikpapan airport— Indonesia's second husiest—and

dive, serionsly impairing In-donesia's economic development efforts. Kalimantan is the Indonesian

doking a harbour of oil flares and supermarkets sprawling ovels and supermarkets belongs to Union Oil of the US and is matched, elsewhere in the town, by similar, though not only luxury hotel has started to puite so luxurious, compounds wined by Total of France and Iuffco of the US.

Inside the compound expations and supermarkets and supermarke

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population centres, like Palang-ka Raya, capital of central Kalimantan, are only accessible hy air or river.

Takking Salah ang kanang at ang a

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REPUBLIC OF CHINA

riates are cocooned from tha outside world. Husbands commute to the rigs offshore by helicopter, while wives and children make the best of their self-imposed isolation.

The compound has its own hospital, fire brigade, video library and bowling alley. Expatriates can enjoy imported New York steaks, watch Rambo on television or cook a souffié in state-of-the-art kitchens which some with each luxury hunga-Beyond the boom towns such as Balikpapan and Samarinda, capital of East Kalimantan and headquarters of the world's largest plywood industry, there are three basic ethnic groups: the Chinese, descendants of migrants from the Chou dynasty; coastal Malays, predominantly Muslim immigrants who live mostly at the mouths of rivers and the Davaks, the island's and the Dayaks, the island's original inhabitants.

original inhabitants.

The Dayaks, like the Ibans in neighbouring Malaysian Sarawak, live along the river banks and in the highlands deep in the jungle. For centuries this bandsome, light-skinned people lived a life largely unchanged since neolithic times. As the Muslim Malays started to arrive on the coast the Dayaks moved on the coast the Dayaks moved further and further inland partly because they did not wish to be part of a culture which forbade them to eat their favourite meat—pork.

Progress has made other in-roads into their way of life. They were forced to give up headhunting—though not until quite recently—and many now no longer indulge in the local palm wine (tuak) having been forhidden to do so by zealous Protestant missionarles.

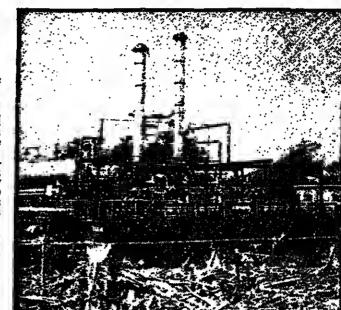
The Indonesian government and some local hoteliers have hegun to use the Dayaks and their colourful lifestyle centred

change earnings.

Pertamina, the national oil company, says that 25 per cent of the stale's oil revenue comes from East Kalimantan where the company has its provincial

The Balikpapan refinery, one of the biggest in the world, processes 21 per cent of Indonesia's total crude oil output. Further total crude oil output. Further up the coast at Boniang, natural gas, exploited from a huge field off Balikpapan, is converted to liquefied natural gas (LNG) and shipped to Japan. A second agreement is being negotiated with South Korea. Before the with South Korea. Before the recent, dramatic drop in oil and a lot of immigrants who cam gas prices the Bontang plant provided. Indonesia with Rp. 30bn (\$30m) in export earnings per month.

Samarinda; thousands of fa lies live in makeshift slum



A refinery in Kalimantan. The region claims that its vast resources of oil, gas and timber provide nearly a third of Indonesia's foreign exchange earnings.

More than 80 per cent of many of them victims of the Balikpapan's population of world recession. Some are be-350,000 is dependent on oil and ginning to return home leaving gas, and the majority of fami-lies in the Samarinda area de-pend on timber for their living.

The growth of the oil, gas and timber industries has provided the local economy with a spec-tacular hoost and attracted tens, possibly bundreds of thousands Kalimantan.

But the island remains, first and foremost, a vast treasury of oil, gas and timber. The authorities in Kalimantan claim that, between them, these three resources provide nearly 33 per change are the succession of Indonesia's form.

#### Momentum

Says one local hanker: "There a serious problem maintaining momentum after the initial period of growth, We now have two distinct classes of people in the province. Those who were berre before the oil and timber boom and those who came after. The have nots and the haves. There is a good deal of social jealousy between them."

On top of that bankruptcies in on top of that bankrupices in the plywood sector and the slower rate of exploration in the oil and gas sector mean that a lot of immigrants who came to Kalimantan to work are now jobless. Around Balikpapan and Samarinda; thousands of familiaring the sector of the sect lies live in makeshift slums-

world recession. Some are be-ginning to return home leaving behind the heginnings of a ghost town.

The government is anxious to develop more permanent in-dustries in Kalimantan such as cattle-breeding, palm oil and shrimp farming. Local invest-ment bankers in Samarinda say there is plenty of potential and a good rate of return for any interested investor.

More recently, the govern-ment has encouraged the de-velopment of coal mining in the area and agreements have been South Korean companies.

The real obstacle to healthy economic development in back-

ward areas such as Kalimantan, the resource-based industries of which make them vulnerable to external developments, is the unequal distribution of resources in Indonesia as a whole.

"Indonesia is dominated by the Javanese," says one official who did not wish to be named for ohvious reasons. "So Jakarta and Java tend to get the lion's share of resources. That's where the investors get trapped. We cannot offer the data, the tech-nology, the capital or the infra-structure. Compared with what we provide to the central gov-ernment in the way of revenue through oil, gas and timber, we get a fraction in return. It is an unequal battle."

# Sumatra, 'the island of hope'

WHEN 55 elephants went on the rampage recently on the transmigration sites near the Lampung-South Sumatra border, the Jakarta Post newspaper re-ported on February 18:

ported on February 18:

"The Governor of south
Sumatra has already been informed about the situation.
Government organisations, including the armed forces, have
belied in efforts to drive these
lig activates back to their own big animals back to their own habitat, but each time they have

returned.
"Mr Saleh Hasan, OKU district bead, said: 'If the people and their settlements feel harrassed today, then what about the elephants in the past? They are mad because their habitat bas been taken away from them to make way for settlements."

The news story is, in its way, very apt commentary on the a very apt commentary on the fabulous island of Sumatra. For if Java has become the mind and power centre of Indonesia, Sumatra is surely the nation's greatest natural, and possibly human, resource. It has been the task of successive Indonesian governments reproductions. nesian governments somehow

to harness the one to the other. Sumatra is so large and diverse, and still so relatively underpopulated, its 34m inhabitants less than half that of neighbouring Java, that it is hard conveniently to categorise. The first great Indonesian kingdom, Sriwijaya, flourisbed in south-east Sumatra, around Palembang, in the seventh cen-tury, controlling traffic through the Straits of Malacca.

for

Jupoat Jupoat

There is a richness and diversity to life in Sumatra that is beguiling. It is also an island of great natural wealth, as Jurek Martin reports here.

This trading heritage, and Sumatra's geographical location at the western end of the archipelago, closest to India and the Middle East and later, to Europe, still makes it a major contact point with foreign countries. ... More than half of all Indonesia's non-oil foreign trade is handled by the port of Medan.

Sumatra's biggest city.

There is still, however, a big difference between the costal peoples and the tribes of the inner highlands, the Batak, Toba and the Minangkabat, who have retained, to a degree, their count distinction and the county of the county own distinctive cultures, nver-laid and altered though they may have heen by the inroads of Islam, especially in the north and west, and even Christianity, most notable among the Batak.

Sumstrans are renowned as among Indonesia's fiercest warriors. Both the Acehnese in the far north and the Batak in the central bighlands are cele-brated for their resistance to the Dutch. But the streak of independence has never been confined merely to anticonfined merely to anti-colonialists — in 1958 the Revo-lutionary Government of the Republic of Indonesia was established, in opposition to the Sukarno régime, in Padang in west Sumatra, while in 1976 a hrief secessionist movement broke out in Aceh broke out in Aceh.

Some of the Indonesian Army's most distinguished military officers — most obviously, if controversially, Gen Abdul Haris Nasution — are from Sumatra

Haris Nasution — are from Sumatra.

This strong sense of Identity, even if often fragmented, has always presented a prohiam to the hierarchy in Java, though probably not as great as the imperative to make the most of Sumatra's natural wealth. After all, Sumatra is generally known throughout the nation as "the island of hope, the island of tha future." Mucb of that hope lies in marketable commodities.

It was, in fact, the Dutch who first sought to hegin to kill two birds with one stone by promoting migration from overcrowded Java to Sumatra earlier this century. Since then, the Indonesian Government'a transmigration policy has taken the process much further.

Since the late 1980s a total of more than 650,000 families, or well over 3m people, bave been moved from Java the

of more than 650,000 families, or well over 3m people, bave been moved from Java, the majority to south and central Sumatra and to Sulawesi. It has not always proved an easy adjustment for the wet rice growers of Java, and Sumatra is littered with transmigration

CONTINUED ON PAGE 15

# Success for grass-roots aid programme

agriculture, fishing and basic trade. There was no electricity. no running water, no roads, no health care to speak of, and an alarming child mortality

Boyce, who had been appointed chief field officer by what was, at the time, West Germany's biggest overseas technical aid project, lived on

as an integrated regional de-velopment project originally linked to helping those among Indonesia's 3.8m people ear-marked for voluntary resettle-ment in Kalimantan from Java—the most over-crowded island in the world in the world.

in the world.

Since the start of Indonesla's transmigration programme in the late 1960s, a total of 650,000 families or 3.2m people bave heen moved from Java, Bail and Lombok, mostly to Sumatra and the island of Sulawesi, according to the government.

Those who bave moved to the more inhospitable terrain of Kalimantan struggle to scratch a living, whether on the outskirts of the oil town of Balikpapan, or in the heautiful hills around Kota Bangun, where vast tracts of forest have been cleared for the planiation of rice, vegetables or fruit.

At first, TAD encountered some resistance from local officials who felt their status of status abeing undermined by a foreign programme offering their constituents what they could not.

"The most difficult thing to begin with was to get people to accept that we were there simply to help," one worker reports. Indoneslan memories of Dutch colonial rule remain ruw, and combined with Javanese pride, made for a sensitive attart to TAD's job.

Project leaders were also of spending money on the ald of spending money on the ald

The West German programme
—originally known as Transmigration Aid Development
(TAD)—was launched to help in with the occasionally idio-The West German programme

Extension Centre, where locals are coached in animal husbandry, food crop development, fisheries and cropping, TAD has gouged a 700 metre airstrip out of the jungle. Elsewhere TAD's original team of

dechnical aid project, lived on one of five 22-metre river boats, built so that the team could procetrate the vast river system which cleaves its way through the endless mangrove swamps and jungles of the province.

Seven years later, Boyce's portly frame can still be seen tearing around Keta Bangun on the back of his motorcycle—he has a "chsuffeur" and rides built his is no longer the only one. Kota Bangun's two main streets" are alive with the noise of revving Hondas and Vespas, just one of the signs of growing affluence, and of the impact of the West German aid programme and Indonesian government money.

Influx

The West German programme was begun in the middle 1970s as an integrated regional development project originally linked to helping those among Indonesia's 3.8m people earmarked for voluntary resettlement. Wellmantan frame which there of the project in the long-run and programme and Indonesian development project originally linked to helping those among Indonesia's 3.8m people earmarked for voluntary resettlement. Wellmantan frame was begun in the middle 1970s as an integrated regional development project originally linked to helping those among Indonesia's 3.8m people earmarked for voluntary resettlement. Wellmantan frame was begun in the middle 1970s as an integrated regional development frame was begun in the middle 1970s as an integrated regional development project originally linked to helping those among Indonesia's 3.8m people earmarked for voluntary resettlement. Wellmantan in the provincial and the provincial and the provincial capital manufacturers and blacksmiths. We've given them a start. The rest ia up to them, "says Boyce, and the provincial capital "We've belped people set up electronics worksbops, furniture manufacturers and blacksmiths. We've given them a start. The rest ia up to them," says Boyce and the provincial capital "We've projects and ending a fundamental provincial capital "We've given them a start. The rest ia up to them," says Boyce and lindonesian swould belp people to th

The target set by the Indonesian government is for each family to earn \$1,500 a year—more than twice the national per capita income. Judging by the income of many transmigrants around Kota Bangun, who have been there for more than three years, that seems a hopelessly optimistic target. a hopelessly optimistic target.
At first, TAD encountered
some resistance from local
officials who felt their status
was being undermined by a

of spending money on the ald

WHEN AUSTRALIAN David been broadened to cater for the Bangun, a sleepy, waterside settlement, perched on the banks of the Mahakam river, he had the only motorcycle in town.

Kota Bangun, situated at the heart of the ancient kingdom of Kutai, was typical of hundreds of villages in Kalimantan, subsisting on primitive agriculture, fishing and basic trade. There was no electricity.

The banks of the Mahakam river, he had the only motorcycle in town.

TAD which, to date, has since dedng things, and bas achieved a good deal. "The key is that we realised that, here in Kalimantan, to date, has sent £20m in East Kalimantan, have initiated aid projects, ranging from nutrition, and animal husbandry to bydrology and public health.

Byncratic Indonesian way of doding things, and bas achieved a good deal. "The key is that we realised that, here in Kalimantan, be could not imposa what you might call 'top-down' planning. We had to work to the local situation," says Rainer Blank.

Boyce, who has survived four district commissioners, five police chiefs and three army commanders in his area, hrushes criticisms aside and claims, with

In Kota Bangun, TAD have Installed, under Boyce's supervision, a 325 kw power station, public water supplies, a minibospital and a family planning programme. Beyond the Rural Extension Centre, where least-

Certainly, since TAD's arrival in Kota Bangun, the child mortality rate has dropped con-siderably, public bealth has

taught the rudiments of modern birth control in the local clinic, Rainer Blank's claim that the project bas had a major impact on the area has the ring of on the area ha

#### MA MORLD OF ON

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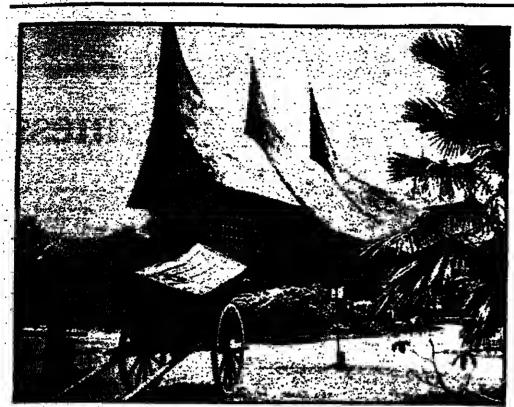
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- Andrews

in life in

#### **INDONESIA 15**

Asean tourist arrivals					
1979	1980	1981	1982	1983	1984
Indonesia 501,430	561,178	699,150	592,046	628,855	700,090
Malaysia 771,662	895,104	1,005,523	1,129,319	1,138,521	1,997,557
Philippines 966,873	1,608,159	938,953	890,807	860,550	816,712
Singapore 2,247,091	2,562,005	2,828,622	2,956,690	2,853,577	2,991,430
Thoffend 1,591,455	1,850,801	2,015,615	2,218,429	2,191,003	2,346,709
Brunei	25,448	25,852	32,534	35,063	42,521
and the state of t	;	Sou	rce: Oirectorate	General of tour	sm, Indonesia



The graceful buildings of Taman Mini in Jakarta, the capital of Indonesia.

Tourists are drawn by the country's rich variety of festivals, customs, ceremonial dance, religious drama, arts and crafts

# Search is under way for tourist's dollar

INDONESIA IS not the most Falling income from oil and

is a truly beautiful country with a dazzling variety of cultures and destinations. It stretches across an area wider than the coast to coast of the US. It coast to coast of the US. It has more than 13,000 islands — no one has yet determined exactly how many there are. It is the largest archipelagic nation on earth and the fifth most populous with 165m people.

Yet last year only 700,000 tourists visited Indonesia. Singapore, the island state that the early 1980s and revenues increased. In 1984 tourism was map compared with Indonesia's vast expanse of territory, had nearly 3m tourists arrivals.

Well over 2m tourists visit Thailand each year, and more than 11m visit Malaysia. Even

than 14m visit Malaysia. Even the troubled Philippines is a more popular tourist destination than Indonesia.

For much of the past 20 years Indonesia isolated itself while considerable economic development took place. The Government of President Subarto has often been suspicious of outsiders and up till recently insiders and up till recently in-stituted troublesome visa requirements and only limited periods of stay for all foreign

The mass killing which followed the attempted coup in the mid-60s and Indonesia's move into the former Portuguese territory of East Timor 10 years later did little to enguese territory of East Timor
10 years later did little to encourage the would-be tourist.
A certain ambivalence prevailed. A former directorgeneral of tourism said in the
late "70s: "With our rich
natural resources we do not
really need the foreign
tourists."

All that has now changed.

island of Bali now accounts
for more than 60 per cent of
total tourist arrivals. Austratotal tourist arrivals.

fashionable of places. Reference gas exports has brought a new to it usually brings faintly quizing the search for the zical expressions and a quick tourist dollar. Visa requirelook at the atlas. Some even think its merely part of Bali. look at the atlas. Some even think its merely part of Bali.

Indonesia is the Cinderella of the South-East Asian area. It is a truly beautiful country with seed and Indonesia Is now possible the South-East Asian area. It is a truly beautiful country with wesi and Irian Jaya in the east. Hotel accommodation has un-dergone dramatic improve-

> For the first time, foreign airlines are being allowed direct flights into Ball, and the state carrier, Garuda, is offering special "visit Indonesia" airpasses allowing stopover trips through the architelage for through the archipelago for as little as US\$300.

the sixth most important foreign exchange earner, with total income of US\$519.7m. As Mr Joop Ave, the present director of tourism says: "The sleeping giant of tourism is awakening."

#### **Emphasis**

Progress has, nevertheless, faltered, and government targets of 1m tourists by the mid 80s have gone unrealised. Marketing has traditionally been a weak area in Indonesia. There is still a chronic tack of readily available information about the country overseas—even in somewhere as close as Singapore. Too much emphasis has been placed on Bali while other areas have been largely ignored.

The so called "paradise island" of Bali now accounts

markable resilience in the face of the tourist onslaught,

It is only one of the many sights of Indonesia however. Slowly people are discovering the pleasures of a trip up the mighty Mahakam River in Kalimantan or climbing the snow topped peaks of Irian Jaya --- a province described as the last frontier, an anthropolo-gists dream world where people live hy hunting and gathering as they have done for centuries.

Such expeditions are more for the traveller with time on hand than for the quick stay tourist. Petty regulations, such as the need for special passes in many areas, often try the patienece of even the most de-termined explorer. Timetables can be aggravatingly fiexible or

Sometimes, too, incomprehensible things happen. Indonesia now has four luxuriously appointed cruise liners ambling through various points in the archipelago—one of the more ideal ways to travel—but trying to huy a ticket on one of the poats is as difficult as extracting change from the notoriously im-pecunious Jakarta tazi drivers. Yet the boats are never full and offer first class accommodation for a two day trip for as little as \$45, everything included.

Indonesia is, however, never hand. It offers trustrations and revelations, odd quirks and ready humour. As the Indonesians say, it is all "Campur Campur"—all mixed together to make an exhibarating whole.

## HINTS FOR VISITORS

• What to huy
Indonesian hatik is renowned
throughout the world. It is
perhaps at its best in Yogyakarta where there are many specialised craft ateliers and workshops. Batiks can serve as saris, wall hangings and scurves. Superh wood and stone carvings, especially of the god Garuda, come from Bali.

Silverwork, shadow puppets and carved cocoout shells are also popular huys. Less common aod mostly on Kalimantao and Sulawesi, is antique Chinese porcelaio. Contemporary Indo-nesian artists work in oils, bath

· Festivals, customs, arts and

Indonesia has a rich tradition of ceremooial dance, puppetry and religious drama. Wayang kuiit (shadow puppet playa) portraying scenes from religious and folk history are performed all over the country while Bali dances representing scenes from the sacred Hindu epics, the Ramayana and the Mahabarata.

The best-known are the refined and delicate Legong (dance of the nymphs), the Kecak (monkey dance) and the Kris (or Barong-Rangda) where the men and boys go loto a self-induced transe and ish theme induced trance and jah them-selves with sharp wavy kris knives. Dances are accompanied hy a traditional gamelin orchest vith its bells, xylophooes and

drums.

• Food and drink Though rice-based, Indonesian food is given great variety by the use of many local spices the use of many local spices and herbs, fresh meat and vegetables. It is botter and spicier than Malay or Chinese food. Naal goreng (fried rice with egg, spices and vegetables) is the national dish while satay (tiny kebabs sauced in a spicy peanut dip), gado gado (salad with prawns and peanut crackers) and soto (a bot soup) are also popular local foods.

are also popular local foods.

The old Dutch rijstafel (rice table), a gargantuan feast of rice served with many fruits and vegetables, can still he sampled In e few select botels and restaurants. Baked pig is a Balinese delicacy (though some consider it is unwise to eat pork dishes on Bali).

Hot, spicy Padang food, eaten with the fingers, is popular in Sumatra where it is served in special restaurants. Indonesia has most tropical fruit drinks. Beer is good and Java is renowned for its coffee.

Balinese rice wine is flery and potent but is worth trying. There is the usual range of imported drinks but these are expensive. Sports and entertainment

Indonesia's beaches are excellent for swimming and surfing from but great care as many of the seas are treacherous and bathing can he dangerous. Trekking, camping

dangerous. Trekking, camping and fishing in the mountain regions with their lakes and superh scenery are recommended though only with a guide, especially if volcances are visited. Visitors can also go deep sea fishing.

The night life of Jakarta has improved recently and there are now a number of night clubs with floorshows and gambling. There are often displays of Indonesian dancing in many of the leading hotels.

The obose information, by FT

The obove information, by FT correspondent Kieron Cooke.

our. As the Indai, it is all "Campur is an extract from the World of Information (Asia and Pacific Review, 1986), ovailable from 21 Gold St, Sofron Walden, Essex; tel: 0799 21150; telex 817197 JAXPRS-G.

# 'Island of Hope'

CONTINUED FROM PAGE 14

aettlements which have not succeeded, as well as a con-siderable number which have. siderable number which have.
But the policy is clearly
irreversible, if for no other
reason, as General Murdani, the
Army chief, has put it, because
it helps disseminate knowledge
and understanding of the state's
ideology and policies — which
happen to be largely derived
from Java. from Java.

But transmigration, allied to greater exploitation of natural resources in Sumatra has, acording to Soedjatmoko, the Indonesian intellectual who is now Rector of the United Nations University in Tokyo, led to "an almost classic conference in the way was and the frontation betwen man and the jungle."

Stories, such as that quoted above from the Jakarta Post, suggest that man is winning, but that the jungle is not above fighting back. In fact, Sumatra's legendary wildlife has incurred serious depletion in recent years, both from indiscriminate overcutting of its great timber reserves and from damage from the infrastructural projects that have inevitably accompanied the extraction of natural

Some of the treasure is being grudgingly surrendered, however. A classic example has been the great Bukit Asam coal project in south Sumatra, which is 60 per cent funded by the World Bank. Site problems have been bad

enough, but nothing like those at the nearby coal terminal of Tarahan, whose foundations have been sinking alarmingly (the legacy of the great

Krakatoa volcanic explosion of the last century). Sumatra has, of course, much

Sumatra has, of course, much more than coal. It has Indonesia's first, and greatest, reserves of oil and, now, natural gas; its rubber plantations are second only to Malaysia's (and, indeed, the city of Medan is now home to a number of old expatriate Malaysian hands) and it is rich in oil palm and cocoa; its timber stock is of incalculable value; it has a variety of minerals as well as traditional spices.

Sumatrans are also not above complaining that the control of the local economy is passing, increasingly, into Javanese hands. The counter-argument is that the Javanese possess the skills, especially in industry, which the Sumatrans still lack. Sumatra does have some good universities and technical insti-tutes, but their graduate output is still appreciably below that

But there is a richness and diversity to life in Sumatra that is beguiling, even to the

Mr Mustafa Gandasubrata is from Java. A former police brigadier-general, he was posted brigadler-general, he was posted to Medan to run the local provincial police, from which he retired eight years ago. He now works for a plywood company in Medan and has no thoughts about going back "home."

He sips his beer and explains why: "I am 64 years old; I swim 10 laps in the pool every morning; I go hunting at the weekends. I go back to Java and see my contemporaries and they

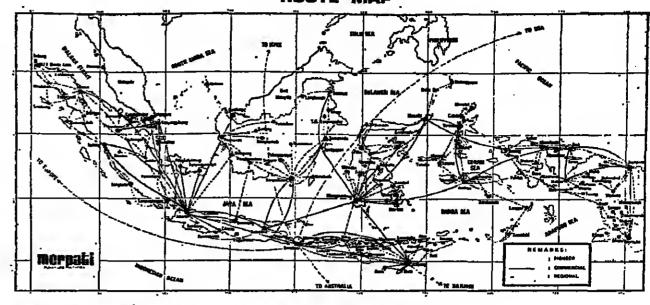
see my contemporaries and they are all broken, tired men,

"Why would I want to leave Sumatra now?"

Jurek Martin

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#### ROUTE MAP



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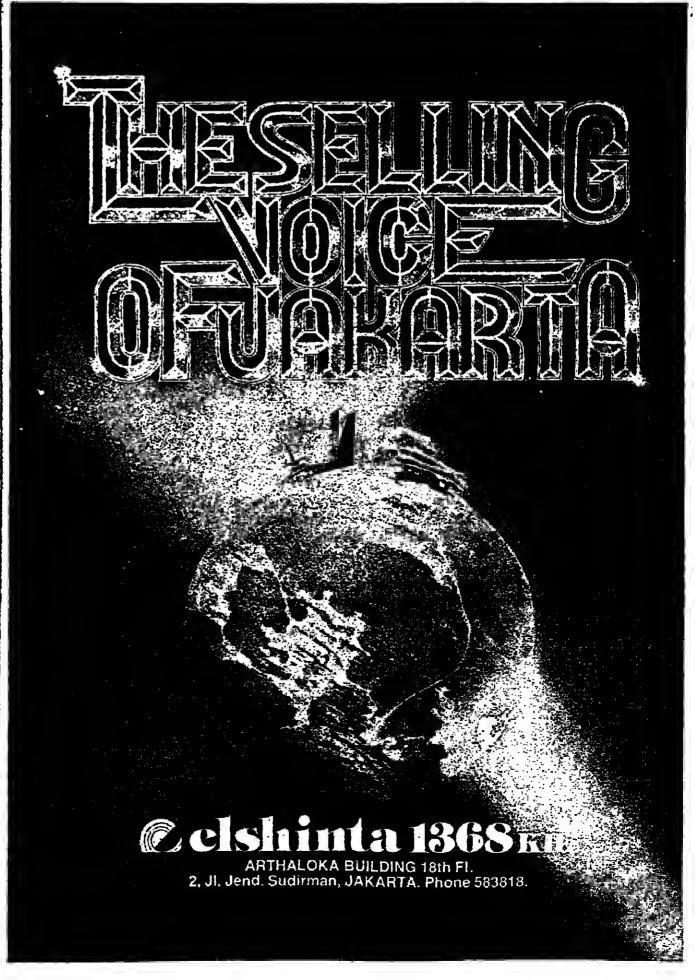
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# Tips for overseas visitors

HERE, in brief, is a guide for cheques may be exchanged at overseas visitors to Indonesia: most banks, except in the Time zones: GMT + 7 hours, provinces.

Indonesia and certain seamen. Visa: Tourists and business Visa: Tourists and business visitors do not require vises for a stay of up to two months, a period which can only be extended for USSR and Eastern Bloc passport bolders. Special permission from the Immigration Department must be obtained for travel to Irian Jaya or Timor.

Air access National airline: Garuda Indonesian Airlines: Cathy Pacific, China Airlines, CSA, JAL, KLM, PT Mandale Airlines, MAS, Merpati Nusantara, Philippine Air Lines, Qantas, SIA, Swiss-air, Thai International, UTA. International airports: Cene-

or Timor.

cates required for yellow fever sbop, restaurant, bar buffet, or cholere if travelling from infected areas. Cholera vaccination and anti-malarial precautions arer ecommendad.

Surface access

rates for foreign currency are Yogyakarta on Java; Denpasar generally the same at both on Bali; Medan and Palembang banks and money changers.

Major currencies or travellers' (Makassar) on Sulawesi

Time zones: GMT + 7 hours, EDT + 12 hours in West Zone (Jeva Sumatra, Bali); GMT + 8bours, EDT + 13 bours in Central Zone (Kalimantan, Sulawesl, Timor); GMT + 9 hours, EDT + 14 hours in East Zone (Moincca, Irian, Jeya).

Climate: Tropical, uniformly bot and bumid with nonsoon rains from October-April and dry season from May-September.

provinces.

Customs: Personal effects are customs: Persona

Passport: Required by all can take up to a month. Some except for bolders of certain other products are subject to the training of the trainin documents issued by the UN or testing or registration before Indonesia and certain seamen. import is allowed.

International airports: Ceng-Prohibited entry: Documents, kareng International (CGR), inculding passports issued by 20 km from Jakarta, on Java; Israel ere not accer; able. Ngurah Rai (DPS), 13 km from Health: Vaccination certification Denpasar, on Bali, duty-free

water should be boiled before drinking.

Currency: The maximum amount of currency which may be imported or exported is Rp50,000 per person. Evolution and the state of the sta

(Celebes); Banjarmasin, Balik-papan, Samarinda and Pon-tianak on Kalimantan (Borneo); Jayapura on Irian Jaya (New Guinea).

Hotels: International-standard hotels bave air conditioning and often business centres, where translation and secre-tarial services are normally available. A service charge is normally added to the bill, so tipping with small change is

Taxis: Taxis can be obtained at hotels, airports and railway stations. Standard fares are usual from Bali Airport to major botels. Metered taxis. wblcb are preferable, are available in Jakarta, but it may be necessary to insist on the use of the meter. Fares are very reasonable. Taxis may also be hired by the bour, which is less expensive for longer journeys. In Jakarta, it can be difficult to bail taxis, so engage one at the hotel and retain it until returning. A 10 per cent tip is usual.

Car hire: Car hira, mostly chauffeur-driven, is available in major towns and cities. Except for international car hire operators which accept credit cards, full payment for car hire is made up-front.

National transport Air: Garuda operates extensive domestic services, including daily services between Jakarta, Surabaya and Medan. Other

routes are also served by Bouraq Indonesia Airlines, PT Mandala Airlines and Merpati Roads: Extensive road network

includes over 150,000 km of road, 25 per cent of which is surfaced. A 525 km highway links key areas in Jambi and Sonth Sumatra. Although roads are reasonable, distances are great and, except to Bandung, most visitors travel by air outaide Jakarta. Secondary roads are frequently impassabla in the

rainy season.

Buses: Express coach services link the main towns. Local bus services are inexpensive, but their use is complicated, they are oftan crowded, and service may be interrupted in the rainy season. For short distances, three-wheelers called bajajs are a vailable

Rail: The rail network, limited to Jeva, Sumatra and Madura, comprises 8600 km of track, mostly on Java Java and parts of Sumatra bave air-conditioned express rail aervices with sleep-ing and dining cars only between major cities. There are several trains daily from Jakarta to Bandung and Surabaya. Ordinary services can be slow, with many stops.
Inter-island sailings are ex-

tensive, with both scheduled and non-scheduled services. Trade fairs: April 22-26, 1986 Construction Indonesia, 3rd International Construction, Building Municipal and Public Works Exhibition, Jakarta; May 6-10, Mining Indonesia 2nd International Mining and and Minerals Recovery Exhibition, Jakarta, September 16-20, Business Indonesia, 4th International Business and Office Equipment Exhibition, Jakarta;

September 16-20 Computer Indo-

Birotika Semesta PT. Jalan

nesia, 5th International Business

tion, Jakarta; October 21-25, Forestry Indonesia, 3rd International Forestry and Timber Processing Exhibition, Jakarta; October 21-25. Woodworking and Timber

and Personal Computer Exhibi-

Processing Exhibition, Jakarta; October 21-25, Agro-Industry Indonesia, 3rd International Agriculutral and Primary Food Processing Exhibition, Jakarta; November 25-29, Production indonsia, 3rd International Production and Component Engineering, Factory Equipment, Power Transmission Hydraulics and Pneumatics, Materials Handling and Factory Mainte-nance Exhibition Jakarta; Nov-ember 25-29, Chemical Indo-nesia, 2nd International Chemical and Process Engineering and Instrumentation Exhibition, Jakarta; November 25-29, Training Indonesia, 3rd International Industrial, Technical and Vocational Training Exhibition, Jakarta; November 25-29, Textile Indonesia, 3rd International Textiles Machinery, Garment-making and Finishing Equip-

ment Exhibition, Jakarta. External trade

Exports: Main exports are oil and oil products (64.1 per cent of 1983 total, natural gas (12.2 per cent), forestry products (5.2 per cent), rnbber 4 per cent), coffee (2 per cent), tin (1.5 per cent), fish and fish products (1.5 per cent), fish and fish products (1.5 per cent), fish and fish products (1.1 per cent), tea and copper. Main destinations are Japan (45.8 per cent of 1983 total), US (20.2 per cent), Singapore (14.8 per cent), Republic of Korea (1.6 per cent), Garman FR (1.2 per cent), Garm cent, Anstralia and UK.

Imports: Main imports are machines (8.4 per cent of 1983 total), motors and motor vehicles (4.6 per cent), iron and steel bars (3.7 per cent), chemicals (2.8 per cent), rice (2.3 per cent), iron and steel pipes (2.1 per cent) and cotton yarn and fabrics (1.6 per cent). Main sources are Japan (23.2 per cent of 1983 total), Singapore (21.2 per cent), US (15.5 per cent), Saudi Arabia (5.5 per cent), German FR, France, Republic of Korea, Talwan, Australia and

The obove information, by FT correspondent Rieran Cooke, is an extract from the World of Information (Asia and World of Information (Asia and joint venture company than to to depart to leave your bosts a favour from an expatriate.

Pacific Review, 1986), available lose its partners' lively assistfrom 21, Gold Street, Soffron and enthusiasm, for withance and enthusiasm, for without having to look after you.

Walden, Essex; telephone ont it you will lose your Always attend weddings. They sponsible for setting up and or running a large industrial to concern in Indonesia.

expatriate businessmen operating in Indonesia, but in many monious. To fight it is certain cases it takes too long. And in aven more cases the expatriate accepts it but is unable to get his principals offshore to recognise its good aense.

Difficulties, frustration and anger follow and in extreme cases, disaster. It is better to have a good relationship than it is to write a good contract: the Indonesian is more than willing to remove obstacles in the way of concord and is governed by beart rather than

bead in business affairs.
His upbringing will encourage him to co-operate more as the problems grow. Recourse to the law is a lengthy and tortuous process. Rarely is it quickly effective, and contracts abould be drawn that create opportunity rather than penae non-fea

No amount of time is too long wban choosing a partner or sponsor. Hours of seemingly idle talks with the prospective person, with his organisation, with his friends, his ecquaintances, bia rivals and his relatives, are richly rewarded. Understand his aspirations,

check his achievements, mention him to officials, customers, clients, bankers and other asso-ciates and leave time for their opinions to mature.

It is worth deciding at an early stage whether you wish to be assisted and partnered by expertise, financial strength or polical power. No more serious accident can befall a

failure, and if circumstances change, you must adapt. It may be that some govern-ment policies are to your dis-advantage. It is then that the offices of a good partner, and

visitors who hope to set up business links in Indonesia

dose work. Immigration is complicated

It is wise to keep an exit visa constantly valid, in case of emergency at bome. (All resi-

It is well worth acquiring a good accent and an ability to read the language. Manners matter: be gentle, sit still, listen and smile. Probably the most significant gesture is the whole-hearted approval of local food. It is the centrepiece of Indo-nesian hospitality, Ceremonies are important.

Many times you will be invited out of politeness. Learn when

structure of thought, and the Western mind may find it difficult to understand and unworthy of attention. But loss

of face does the reciplent irreperable harm. It discredits him, not you, and is almost always a matter of carelessness or thoughtiessnes. Be mindful of their position in society, even if you are unsure of yours.

If you are inefficient, you will

be despised. Do not, bowever, try to outsmart them — rather attract enthusissm and acquiesence. This takes time and do not let principals at home stam-

pede you.
The state investment board, BKPM, is the first government department you will encounter. Through it you will be allowed to do business in Indonesia. It saves time if your approach BKPM first and ask if what you want to do and bow you want to do it is permitted. Never present a case that has not already met with their com-

you assume it to be obligatory you are wrong in scale or approach the difficulties are

equally embarrassing.

It is, bowever, more open than the West would allow. If it is considered necessary to

a favour from an expatriate.

#### WHERE TO GO FOR MORE INFORMATION

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often used about Indonesia. If you may be rudely shocked, and once offered where it is unacceptable you are ruined. If

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# SECTION II - COMPANIES AND MARKETS FINANCIALTIMES

Monday March 10 1986



INTERNATIONAL BONDS

# Waiting for good news

news," said a weary bond dealer on has been the rash of long-dated Friday evening Interest rate cuts in deals. Swedish Export Credit (SEK) West Germany, Japan and the US pushed out to 40 years with its at the end of last week was just \$200m deal Borrowers went to lock what the bond market had been into low rates for as long as possible waiting for and when they hap while investors are prepared to go pened there was the usual post long to pick up extra volatility and

even with the Eurodollar market deal did not look so hot. trailing behind New York, investors They were swiftly taken.

next piece of good news can be identified soon so that the whole process of anticipation can start again. Traders were unable to come up with a plausible enough story to get the rush going immediately. and on average prices were barely higher over the week.

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The only thing to do was put a brave face on it. "We needed a correction," said one banker. Another said a halt or even a slight reverse in the New York market would straighten out the yield relationship between Eurodollar bonds and US Treasuries enough to allow new issues to be diverted from the latter to the former once more. "Perhaps we'll see some US corporates com-ing to Europe again," was the hope of a syndicate manager.

One symptom of the bull market,

BURGHARRIST TURNOVER FRN Conv. 20.3 257.1 20.0 1,313.9 2.9 3.1 dury Market 22,349.5 1,754.0 13,828.9 3,316.1 27,429.6 1,871.2 8,800.0 3,824.6 11,812.9 206.6 1,775.0 3,114.4 8,523.4 193.6 3,693.5 3,415.0 18,674.7 14,069.5 9,403.8 8,083.3 30,000.0 Week to Mench 5 1988 - Source: AIBO

"BUY ON the rimours, sell on the and the flatness of the yield curve, emphoric depression.

The bond markets have risen the bonds early on but by Friday sharply in the last few weeks, and might, with the market weak, SEK's

Traders report that some inveswere sitting on some good profits. tors are now turning to shorter-They were swiftly taken. dated bonds on the grounds that the The question now is whether the flat yield curve is unhealthy and

Another sign that the market was near a peak, cynical bankers say. was the appearance last week of an issue from General Electric, This borrower, which normally appears in the guise of its Credit Corporation, seems to have the knack of asking bankers to bid for an issue just at the moment when interest rates are at their lowest.

So the tightly priced deal that folmarket turned down just as it was launched. By Friday afternoon the bonds were trading at a yield of about 50 basis points more than US Treasuries compared with a spread of only 20 basis points at launch. At that level, though, investors might be prepared to believe they have

The yield relationship between the Eurodollar and US bond markets is clearly saying something when AAA rated bonds offer such high relative returns. But even so, non-dollar based investors are loath to buy when they believe the currency has further to fall. A rebound in the dollar is the piece of good news that would most help the Eurodollar market and no one really expects that to happen yet.

The D-Mark and the yen bond markets do not have that problem though, so interest rate cuts there avoid the bitter-sweet quality of the dollar sector. Conventional issues mand, trading well inside their fees. gas, traded around its issue price.

In the D-Mark sector prices dipped towards the end of the week as this market took a breather too. The first fixed rate 30-year issue in this sector, from the World Bank, was still trading well at around 102% on Friday while the zero coupon issues from the Bundesbahn. via a vehicle company, all traded above issue price.

PWA Finance's issue with equity warrants did even better, trading at 150 or so before the weekend. The small size of the March new issue calendar should keep the market from any overloading.

Sterling bonds were still faring well on Friday as interest rates in that sector began to look even better to continental European investors. The introduction of British building societies to the fixed rete Eurosterling market, now that they are allowed to arrange interest rate swaps, should keep a stream of borrowers looking at the market. The shortage of swap counter-parties may prove more of a depressant

than a shortage of investors. Credit Suisse caused a stir in the Swiss franc foreign bond market with a perpetual issue for PepsiCo. The principal may be in Swiss francs but the coupon of 7½ per cent is payable in dollars. The two other big Swiss banks, SBC and UBS, disagreed with the structure and boycotted the issue.

If the bonds are never repaid, PepsiCo is in effect paying dollar interest at well below market rates. Investors get no advantage from any rise in the dollar. Even so, dit Suisse was rumoured to be contemplating an increase in the issue and may well have more borrowers who would like to do the same trick.

Secondary market prices gained % to % point over the week, with zero coupon bonds performing even

The first zero coupon bond in the Euro-Danish kroner market was a success when it was launched on in Euroyen last week met good de- Friday. The deal, for Dansk Natur-

## **Ericsson** in joint project with **US** group

By Kevin Done in Stockholm

ERICSSON, the Swedish telecommunications and electronics group, has signed a letter of iotent with Digital Equipment Corporation (DEC) of the US, the world's second largest computer manufacturer, to form a joint venture for the development and production of information sys-

tems for the banking sector. The agreement will cover joint re search and development and the probable creation of a joint development centre in Sweden.

Ericsson will also be the prime manufacturer of systems developed under the joint venture. At present Ericsson uses either

its own or IBM mini-computers for its banking systems, but it is expected to transfer to digital equipment computers in the long term.

The Ericsson agreement with Digital Equipment is the second co-operation pact it has made with US manufacturers in the information systems sector, ft is already co-operating with Honeywell in the US on the adeptation of its MD110 PABX (private branch exchange) for the US market.

Ericsson said it was still to be decided which company would market the products of the joint venture in particular countries.

The agreement would "take advantage of DEC's traditional strengths in computing, networking and office automation as well as Ericsson's skills in communications, workstations and banking applications." Ericsson's information systems

division has been plagued by prob-lems in the last two years and last year ran up losses estimated at well excess of SKr 500m (\$70.4m). Heavy costs have been incurred because of the need to rectify sub-

stantial system faults in both its banking terminal and MD110 PABX systems.

It has been forced to retrench in

**EURONOTES AND CREDITS** 

# Flat yield curve slows placings

BY PETER MONTAGNON IN LONDON

A TESTING time has arrived for were all quoted at around 715 per stands somewhere between 20 and interest rates have fallen and the vield curve is flat

Just as this has driven bond market investors into longer and longer dated paper for the sake of extra yield and capital gain, so the oppo-site is also true. Short-term investments in dollar paper seem less attractive as the currency falls.

Though there has been little impact in pricing terms, bankers agree the flow of paper coming onto the market requires more effort to place. Last year, when this business really took off, conditions were much more favourable.

Interest rates were then declining and the yield curve was positive. That meant banks could bid for paper in auctions, hold it in inventory and sell it at a profit as soon as rates had fallen or even fund it as an investment

By the end of last week, however things looked very different, Oneweek to six-month Eurodollar rates

the fledgling Euronote and Euroc- cent. Only out as far as a year did ommercial paper market now that the curve begin to steepen slightly. One year rates were 71/16.

Since Europotes and Eurocommercial paper sell at rates close to or even well below London interbank offered rates for Eurodollar denosits (Libor), that hardly spells profits for banks wanting to make a speculative money market play by funding three-month paper with short-term money.

distribution system which have to bold inventory on their books.

As a result, bankers say those few houses with well-developed distributinn channels and investor links stand to reinforce their position while weaker hanks may drop

bank investors' hands probably growth may slow.

investors could thus cause the mar-

Some bankers say they already detect this trend. A drawing last week by France's Credit National on a \$500m facility arranged in 1984 fetched an average yield of 15 basis points under Libor compared with 17 points three weeks before.

Yet price movements in this mar-It also makes life very hard for ket are always narrow and it is those institutions without a strong hard to perceive a trend, ft is also precisely the top-rated corporations and sovereign names which sell below Libor that appeal to non-bank investors, and some of these have a basic need for short-term placements whatever the market's state.

Most estimates put the amount of paper outstanding in the market at a more description of the market a around \$16hn. Though no one is exactly sure, the proportion in nonat low rates, although the pace of

50 per cent. A withdrawal of bank surers have still generally only dipped their toes into this market ket to tighten, with discounts nn Li- and the potential for growth is great. The worsening international debt scene could well encourage them to move further away from interbank deposits, especially if top

quality alternatives surface in the

Europaper market. The list of these is poised to grow. fBM will shortly start drawing under its \$500m facility. It promises to be a liquid deal that could provide

Other US corporations are believed to be eyeing the market closely given the continuing lower yields on longer-dated Eurocommercial paper compared with its

Wall Street counterpart Elsewhere, the Eurocredit mar-The general conclusion for the ket is becalmed. Algeria's \$300m tions but this week lead manager IBJ International will be seeking to

# Losses of \$303m for Wheeling

BY TERRY DODSWORTH IN NEW YORK

WHEELING-PITTSBURGH. US steel company which applied for protection under Chapter 11 of the US bankruptcy code last year after a prolonged labour dispute, ran up osses of \$303m in 1985, including a \$141m extraordinary charge.

In an optimistic statement accompanying the announcement, in a sharp drop in turnover to Wheeling said its new labour con- \$681m from \$15m in the previous tract, signed after protracted nego-tiations last year, held out the prospect of substantial improvements in the current quarter.

Lower labour rates and increased new orders "presented an opportunity for profitable operations in the first quarter of this year as the company continued to work on a reorganisation plan to emerge from Chapter 11.

Last year's deficit, the equivalent losses on low operating levels, se-

The loss of business brought on by the labour dispute was reflected \$681m from \$1bn in the previous

In the fourth quarter, losses also jumped, reaching \$94m, or \$18.80 a share, after taking in a non-recurring charge of \$56.5m. In the same period of the previous year, the deficit amounted to \$49.8m or \$10.56 a

Apart from the strike, which ended on October 26 after a 96-day stoppage, Wheeling also blamed the.

ificant decline in the company's per-formance from 1984 when it reg-istered a loss of \$50.4 istered a loss of \$59.4m or \$14.1 a cent to 1.53m tons from 2.32m tons. and in the fourth quarter by 55 per cent to 238,000 tons from 530,000

> Wheeling listed a variety of items which made up the charges against earnings, including stock writedowns and closure costs.

> The company said it also faces further claims for its obligations under its pension liabilities, which are now the subject of court discussions with the federal authorities. Wheeling has filed to have the pension obligations taken over by the Pension Benefit Guaranty Corpora-

#### Heineken lifts earnings 16%

drum up other support as well.

By Laura Raun in Amsterdam

HEINEKEN, the Dutch brewery, lifted its earnings by nearly 16 per cent to Fl 265.4m (\$106m) in 1985 from F1 229m the previous year while sales were relatively flat.

Turnover edged up only 4.4 per cent to F1 6.4bn with a significan share of the gain attributed to the consolidation of a 38 per cent holding in El Aguila, the largest Span-

ish hrewery. Heineken, which has built a heavy presence overseas, views Spain and other Mediterranean narkets as promising growth markets but has noted that good profitability from these areas will take time.

Trading profit expanded by 10.3 per cent to Fl 412m

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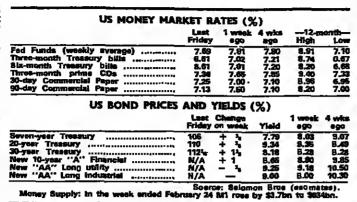
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# Pausing to measure the new ground rules

BY THE TIME the Federal Reservo Board moved to cut the US discount rate to 7 per cent last Friday, the US crodit markets had already gone through their full repertoirs of responses to the news.

They started the week hy continuing their virtually uncontinuing their virtually uninterrupted four-week rally,
gaining strength from the inincreasingly confident rumour
that both the West German
and Japansoo central banks
were likely to cut their key market rates. By Tuesday, the optimists were convinced that the Fed would join in a concorted world-wide move, giving yet further strength to the rally, and pushing down the yield on the long Tressury bond



yield on the long Tressury bond close to the 8 per cent mark.
On Wodnesday, the contrarians ouddenly ceized the upper through the market, knocking on Friday the Fed put the hand, as wild rumours to the bond prices back by 21 market out of its agony with effect that the West German

unusual speed, announcing its decision before the start-up of trading in the morning, rather than after the close.

The effect of this week of

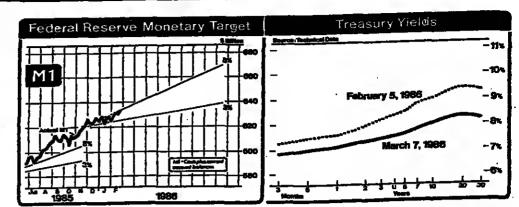
speculation and counter-rumour was to take all the sting out of the announcement when it finally came. Both short- and long-term rates continued to decline, though only modestly, despite the additional holp they despite the additional holp they received from weaker-than-expected employment figures for February. By the end of Friday trading, the 30-year Treasury bond was standing at 8.15 per cent, well above the level reached on Monday, while abortterm rates declined on the day by only around 8 has a noint. by only around 8 basis points.

After the hectic see-sawing of last week, analysts are broadly agreed that the credit markets may pause for a while to measure the new ground

rules. On the technical side, bonds are also everbung by the fact that there is a heavy supply of corporato issues in dealers' hands, with a long queue of additional corporate

At the short end, where the half-point reduction in the discount rate will help to restore a modest upward slope to the yield curve, the Federal funds rate, standing at 8 per cent only three weeks ago, is expected to slide down to trade at around 7.25 per cent. Indeed, it almost reached that level on Friday, when it finished at 7.35 per cent. Other short-term rates, which have not had a most deal which have not had a great deal of-room to move since the last half-point discount rate cut on May 17, are now firmly onsconced below the 7 per cent

Over the medium-term, mar-ket attention in now likely to shift to the state of the US economy, raising the question of whether the Fed needs to a cut of half a percentage point



supply yet further stimulation to growth in the shape of another reduction in the dis-

The statement accompanying Friday's announcement pointedly made no reference to recent US economic data. Indeed, it put the decision to bring the discount rate down to its lowest level in eight years clearly in the context of a concerted move by the Western industrialised nations. On the international front,

the concerted interest rate reductions, which also prompted

in the US prime bank rate to 9 per cent on Friday, will holp hard-stretched Third World countries with debt repayments tied to the American prime Yet some analysts believe that the recovery of these heavily indebted countries will demand yet further downward moves by the Fed-which may be pushed in a similar direction, they add, by renewed signs of weakness in the US economy.

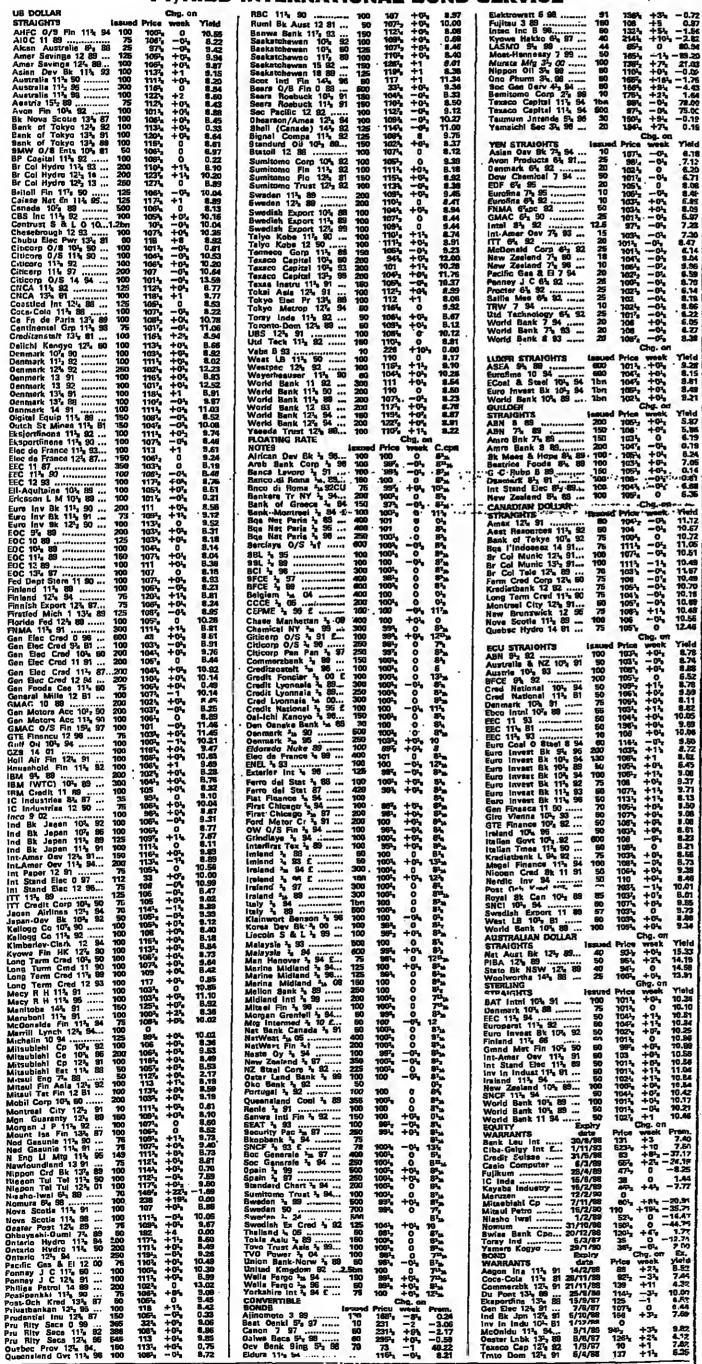
Stating this case firmly last week, Mr Philip Braverman, of Irving Securities, said: "This is unlikely to be the last easing move. If uch more is required

to smooth the restructuring of Mexican and other deeply troubled LDC dabt, shore up banks, thrifts and the Farm Credit system, counter the recession in sgriculture and energy and the coming slide in commercial real estate, as well as to adjust to sharply reduced inflation."

Other analysis are more cautious, holding that the Foi will want to take stock of the economy under the new interest rate regime before acting fur-

Terry Dodsworth

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UK GILTS

# All bets off before the Budget and Opec

AFTER TWO weeks in which a high public sector borrowing the interest rete differential the London gilts market had requirement and more privations widened should undorping moved faster with less reason, sation, the gilts market might sterling until them. After that Friday's announcements of cuts prove unforgiving.

high coupon 25-year yield, spent another week on the right side of 10 per cent.

If the markets managed to predict the West German discount rate cut two days before the event, they remain much less certain about the timing of any similar move in the UK. There is now scope for UK base rates to fall by half a point, but it could be rash to make any move with the to make any move with the uncertainties of the Budget and the simultaneous Opec meeting monetary economist at stock-lying in wait. monetary economist at stock-brokers James Capel, expects

A "neutral Budget" is now widely expected by City analysis, but there is still room "neutral Budget" is now analysts, but there is suit room much easier for the sumortness for Mr Lawson to upset the to contemplate bringing our to the EMS is weakening.

market if he shows less pruse rates down, but I still feel Mr Ian Harwood, of stock-dence than they expect. If the books look more cooked than budget and the Opec meeting makes a case for the market behind them before they allow still having further to go, even without exchange rate mechanical contemplate bringing our to the EMS is weakening.

Mr Ian Harwood, of stock-brokers Rowe and Pitman, budget and the Opec meeting still having further to go, even without exchange rate mechanical contemplate bringing our to the EMS is weakening.

moved faster with less reason, sation, the gilts market might Friday's announcements of cuts in the US and Japanese discount rates, following the German lead the previous day, achieve by its conference, drew only a muted response.

Was this the working of an efficient market, discounting the cuts, or merely shell shock? At all events, the FT Actuaries partners will follow suit, but high coupon 25-year yield, the oll market is by no means the oil market is by no means certain to believe them.

On recent form, however, the gilts market could react cheer-fully, whatever the outcome. From the days when lower oil prices were viewed as unmittigatingly bad for Britain, sentiment in many quarters has now shifted to a more optimistic attack. Heads you win on lower inflation, talks you win on a stronger pound. Mr Peter Feilmer, gilt and

the Government to play it cautiously. "It is now that much easier for the sutherities

the cut of half s per cent."

Whether before or after the Budget, a cut in UK short-term rates does not necessarily mean jam for the gilts market, which already gives the appearance of discounting most of the good news that is likely to come its

It even appears to have been discounting Britain's entry into the EMS exchange rate mechanism, to judge by the dip in prices last week that followed the Prime Minister's statement in Parliament that the time is still not ripe for joining. Despite some frantic footwork from the Treasury the markets were left with the impression that the Government still thinks sterling is over-valued against the Mark, but after dissecting the precise wording of Mrs Thatcher's statement some analysts have come to the

ism membership which would add icing to the cake. If Opec cuts oil production, and Mr Lawson presents a cantious Budget with a recipe that makes sense, he sees not just one half point cut in base rates

but several.

"Last year the Chancellor held rates up much longer than people expected," Mr Harwood said. "This year he will not have to because he does not have the same inflationary worry given the background of world disinflation. It is not unduly optimistic to expect 11 per cent was rates by the end per cent sase rates by the end

of the summer. In Whitehall the mood is more cautious, although officials are now less inclined than they were a week ago to resist a move to lower base rates. And at the Bank of England there is still great reluctance to draw too many inferences from discount rate cuts overseas while the domestic fundamentals remain unchanged. Perhaps the market should be paying more attention to this week's money supply figures than they might otherwise do so soon before the Budget.

George Graham

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## INTERNATIONAL CAPITAL MARKETS AND COMPANIES

CORPORATE FINANCE

## SBC acts early to secure equity needs

SWISS BANK CORPORATION periencing a fast growth in off(SBC) last week amounced the balance-sheet business.

"We have 9 feeling that the biggest rights issue in its his"We have 9 feeling that the keeps them on ice until the No decisions have yet been here sees "a lot of sense in the value of the No final decision has been taken dollar.

No decisions have yet been here sees "a lot of sense in the value of the No final decision has been taken about listings elsewhere but "conceptually" Dr Streichen.

No final decision has been taken to itself or 10 a subsidiary and the been seen taken to itself or 10 a subsidiary and the biggest rights in its his"we have 9 feeling that the keeps them on ice until the been taken about listings elsewhere but "conceptually" Dr Streichen. instance-spect business.

"We have a feeling that the supervisors are golog to get further capital increases. "We believe we are one of the leading banks on the international capital markets and we aim to remain among them," says Dr Georges, Stretchenberg, chairman of the management board. Part of the nanagement board shares and participation certificates and participation certificates and participations. They are likely to be complemented by applications to the New York and Tokyo exchanges for fistings of the shares of Switzerland's second largest bank by assets.

The equity increases will put now the policy in the next year or two, so we think it might be better to get an capital strengthening adone," Dr Streichenberg exchanged.

The restriction does not apply to the 1.5m participation certificates as the board wants the capital board can be explained to the 1.5m participation certificates as advantage of a stock market simulton favouring new equity issues is not a traditional SBC characteristic.

The one-for-15 rights issue for holders of shares and participations to the New York and Tokyo exchanges for fistings of the shares of Switzerland's second largest bank by assets.

The equity increases will put not be going to the market for two points are golog to get to supervisors are golog to the market for to go the non-rights and we are in no burry," says to the finance cheek exchanged.

The restriction does not a biggest rights issue in its his-tory and underlined its ambisecond largest bank by assets.

The equity increases will put SBC's capital ratios well above the obligatory levels set by Swiss banking regulations. They would not be called for by the short-term outlook for asset growths, but they conform to the Swiss banks, traditionally

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prudent motive—the concern expressed by supervisory autho-rities in several countries about the capitalisation of banks ex-

The one-for-15 rights issue for holders of shares and participation certificates at a price of SFr 260 a share should bring in about SFr 540m (\$284m) in new equity capital. Subscriptions will take place in April after the shareholders meeting. The board proposes that a further \$00,000 registered shares and \$00,000 beerer shares be issued at par without subshort-term outlook for asset growths, but they conform to be issued at par without subscription rights for sbare-bolders. They will be nsed mainly to provide the equity link for new convertible and expressed by supervisory authorities in several countries about the capitalisation of banks ex-

about listings elsewhere but "conceptually" Dr Streichenberg sees "a lot of sense in listing our shares in different time zones" from Europe.

New York would be an ohylous choice. SBC employs 1,100 people in North America, where its operations are hy far the largest among the Swlss banks. In New York it has its own brancb and SBCI Securities Inc. which has just sequired a seat on the New York Stock Exchange. In Japan SBC has applied for a licence to trade in securities.

SBC unveiled its plans to increase its capital hase in Basle SBC opened the way last year when it raised some SFr 360m through a placement of bearer shares by Swiss Bank Corporation International (SBCI) in London, of which 450,000 were syndlested to international line in safety and last week at the same time as it announced a 23 per cent climb lin net earnings to SFr 603.4m in 1885 and proposed to raise the same time as it announced a 23 per cent climb line in 1885 and proposed to raise the same time as it announced a 23 per cent climb line in 1885 and proposed to raise the same time as it announced a 23 per cent climb line in 1885 and proposed to raise the same time as it announced a 23 per cent climb line in 1885 and proposed to raise the same time as it announced a 23 per cent climb line in 1885 and proposed to raise the same time as it announced a 23 per cent climb line in 1885 and proposed to raise the same time as it announced a 23 per cent climb line in 1885 and proposed to raise the same time as it announced a 23 per cent climb line in 1885 and proposed to raise the same time as it announced a 23 per cent climb line in 1885 and proposed to raise the same time as it announced a 23 per cent climb line in 1885 and proposed to raise the same time as it announced a 23 per cent climb line in 1885 and proposed to raise the same time as it announced a 23 per cent climb line in 1885 and proposed to raise the same time as it announced a 23 per cent climb line in 1885 and proposed to raise the same time as it announced a 23 per cent climb line in 1885 and proposed to raise the same time as it announced a 23 per cent climb line in 1885 and proposed to raise the same time as it announced a 23 per cent climb line in 1885 and proposed to raise the same time as it announced a 23 p London, of which 450,000 were syndicated to international investors.

The bearer shares bave recently been listed on the Frankfurt exchange, where SBC participation certificates have

William Dullforce



THE WORLD VALUE

## **Sealion Hotels' shares** likely to be suspended

SHARES IN Sealion Hotels, the quoted Singapore company which owns the Hyatt Regency Hotel, are likely to be suspended today following the High Court appointment of receivers last Friday at Sealion Investments. Last month Datuk Yap Yong Seong, another Malaysian Chinese businessman, lost controt of both companies, when Standard Chartered Bank, a major lender, put two of its

last year because it invested board. in companies connected to Mr

idiary. a major lender, put two of its commodity dividend. Sealion Investments was hit executives on the Sealion Hotels

Receivership for Sealion Tan Koon Swan, the Malaysian entreprenenr who is now facing Investments was sought by six criminal charges in Singapore creditors in order to preserve over his business dealings.

## **Power Corp advances**

POWER CORPORATION of The higher earnings reflect

in Montreal.

Average shares outstanding were 58.7m against 51m. The financial services arm per share figures reflect a two-for-one stock split last June, to C\$108.6m or C\$2.66 a share,

## Sime Darby cuts payout as first-half profit dives

BY OUR FINANCIAL STAFF

SIME DARBY, the Malaysian declined to 1.05bn ringgit from diversified group whose 1.21bn ringgil a year earlier. interests range from engineer Falling palm oil prices, which

ing to plantations and property, Sime warned would leave it reported over the weekend a with a further decline in the

reported over the weekend a sbarp drop in its first balf pretax profits as a result of weak commodity prices, and cut its dividend.

Group pre-tax profits fell 18.8 per cent from 123m ringglt to 99.8m ringgit (US\$39m), while profit per share dropped to 4.2 cents from 6.3 cents despite a ballooning in net profit from 49m ringgit to 117m ringgit during the semonths to December 31. Interim dividend will sidiarles, Including footwear, suffered losses in difficult trading conditions. be cut to 3 cents from 4 cents, suffered losses
Sales during the period trading conditions.

## Aluminium capacity boost Canada, controlled by Mr Paul gains by Power Financial Corposation, the Montreal financier, reported 1985 net profits of C\$152m (US\$107m) or C\$2,56 group; Consolidated Bathurst; MR RANDOLPH, president of pansion for Alcasa, which plans

of C\$152m (US\$167m) or C\$2.56 group; Consolidated Batturst, a sbare against C\$128m or C\$2.50 group; Consolidated Batturst, a sbare against C\$128m or C\$2.50 group; Consolidated Batturst, a sbare against C\$128m or C\$2.50 group; Consolidated Batturst, and paper and paper and paper and paper and packaging group; and gains special gains of C\$41.2m against on the sale of shares in Canadian Pacific and Power Financian Montreal.

MR RANDOLPH, president of painsion for Alcasa, which plans to raise primary aluminium company was planning to invest capacity from the current level of 120,000 tonnes a year to located in Venezuela's Guayang industrial zone. writes

Reynolds International, said his to raise primary aluminium capacity from the current level of 120,000 tonnes a year to located in Venezuela's Guayang industrial zone. writes

Reynolds International, said his to raise primary aluminium capacity from the current level of 120,000 tonnes a year to located in Venezuela's Guayang industrial zone. writes

SOCIÉTÉ GÉNÉRALE

BANQUE INDOSUEZ

CREDIT SUISSE

CHASE INVESTMENT BANK

THE FUR BANK, LIMITED

THE MITSUI BANK, LIMITED

STANDARD CHARTERED BANK

LLOYDS MERCHANT BANK LDUTED

TERONTO DOMINION INTERNATIONAL LIMITED

WESTDEUTSCHE LANDESBANK GIROZENTRALE

CAISSE CENTRALE DES BANQUES POPULAIRES

Borrowers	Amount m.	Maturity	Av. Ele years	Coupon Ma	Price	Book Runner	Offer y
9.S. DOLLARS							
Renown loc. ¶‡	130	1981	5	4%4	100	Dalwa Europe	4.2 4.3
Tokyu Construction ¶‡ Pasco Corp. ¶‡	50 59	1991 1991	5 5	4 1/4 4 3/12	100 100	Yameichi Int. (Eur) Nikko Secs. (Europe)	4.3
Harnera Co. ¶Í	100	1991	5	41/z	100	Yamaichi latt. (Eur)	4.
Harrera Co. 17	39	1991	9	41/s	190	Daiwa Singapore	4.
Nippon Dil 71	150	1991	5	4	188	Nomura lat.	4.1
Province of Quebec ‡	250	2016	30	9	991/z	S.G. Warburg	8.1 8.1
Sepan Air Lines I NBN I	150 150	1996 1891	18 5	81/2 81/2	100% 181	LTC8 int. SBC1	8.3
Sumitomo Fin. Asia 1	100	1991	5	9	68.9	Supertomo Fm. Int.	1.8
Deron Tateisi Elec. 🖣	198	1991	5	(43/e)	100	Nomura Int.	
Sweden ‡	259	2918	30	85/8	100	Salomon Brothers	8.1
New Zealand ‡ aterNorth Inc. 1	150 100	1993	.7	81/4 91/4	993/4	CSFB CSFB	8. 9.
reita Core. T	50	1996 1991	19 5	974 (43/a)	199¥≥ 100	Nomura Int.	э.
Marubeni OK 1	59	1991	5	8Va	101	Yamaichi Int. (Eur)	7.1
Sank of Tokyo ‡	100	1996	19	83/s	191Vs	8 ank of Tokyo Int.	8.7
Seagram ‡	199	1996	19	81/2	100	Wood Gundy	8.
General Electric (c)‡ ADB (b)±	300 300	1993	7 25	8 8½	1001/2	Shearson Lehman Bros.	7.9 8.7
Aus (0)1 Swedish Export Cr. 1	200	2011 2026	40 40	85/a	99 991/2	Salomon Brothers Bankers Trust Int.	8.1
lissen Moter İ	189	1993	7	874	1011/2	Yamaichi Int. (Eur)	7.
USTRALIAN DOLLARS						104007 111. (647)	
Sallie Mae ‡	200	1991	5	Û	53.523	Shearson Lehman Bros.	13.3
)-MARKS							
Austria ‡ Series B Euro-DM Secs. ‡	460 144.89	1998 2001	12 15	9 8	100¼ 38.95	WestLB Commerzbank	5.9 6.0
Series & Euro-DM Secs. 1	144.85	2006	20	ă	30.95 28.35	Commerzbank	9.9
ieries 8 Euro-DM Secs. 🖁	769.5	2019	39	õ	17.99	Commer:bank	5.9
Vorld Bank ‡	300	1995	19	53/4	991/2	Deutsche Bank	5.4
Vorld Bank ‡ HS Van Ommeren ‡	300 199	2016	30 8	9 1/4 63/8	189	Beutsche Bank	9.1 9.1
WA Finance ¶İ	199	1994 1994	8	3	100 189	Commerzbank Bayerische Hypotheken	3.4
Lao Corp. 9	120	1993	. <u>7</u>	(21/4)	199	WestLB	
TWISS FRANCS Al Financial Ser.	200	1998		(5¾)	(100)	Societic	
Aurtor Medical III	100	2001	Ξ	7½	(160 <u>)</u> 180	Societic Societic	7.!
bindengen Elec. Mrsf. **¶±	58	1891	_	2Va	100	Bge Paribas (Suisse)	2.1
ieda Bussan **¶‡	29	1991	-	21/1	100	Crédit Suisse	2.
anwa Co. **¶‡	99 299	1993 19 <b>94</b>	-	21/2	189	Banca del Gottardo	2.1 9.1
BM Cradit Corp. II‡ laido Steel ¶I	239 239	1994	=	6 2∀s	100 199	Credit Suisse 8ge Paribas (Suissa)	2.
epsico Inc. III	200	_	_	71/2	189	Credit Suisse	7.
sheuser-Busch 8‡	187	1994	_	6	100	URS	6.0
coastal Corp. ‡	150	1999	-	5¾	997/8	Box Parihas (Suisse)	5.7 6.1
inder-Cara ‡ ujita Corp. ••¶	62.5 100	1996 1991	-	6 (2¼)	100 199	Man. Hanover (Suisse) Credit Suisse	0.0
opy Industries **±	50	1991	_	5	199	Swiss Volksbank	5.0
lenkai Elec. Railway **‡	50	1991		5	180%	8. della Svizzera Ital.	4.9
CUs olysar Ltd. ‡	58	1993	7	93/8	199	Banque Parihas	9.3
hibro-Salomon ؇	100	1999	19	81/2	10074	Salomon Brethers	8.4
TERLING ADB ±	75	2815	29	93/4	54.917	Bering Stothers	19.3
lilk Marketing Brd (a) †±	75	1993	7	3/16	108	S.G. Warburg	10
anro Bank İ	59	1991	5	191/2	1001/2	Samuel Montagu	10.3
alifax 8. Soc. ‡	59	1991	5	103/s	1003/8	Morgan Grenfell	18.3
eeds Permanent 8. Sec. ‡ Vestpac Banking ±	50 58	1981 1993	5 7	181/2 103/4	100% 99%	Baring Brothers Morgan Grenfell	18.4 19.7
ANISH KRONER		1000				ivolga: c-atta-	
openhagen Handelstik ‡	500	1996	18.	83/4	160	Copenhagen Handelsbk	8.7
ans Naturgas ‡	\$80	1881	5	8	68,0	Copenhagen Handelshk	8.0
RENCH FRANCS hône-Poulanc ؇	908	1999	19	93/8	100	CCF	9.3
UXEMBOURG FRANCS							
EPME **‡	309	1991	5	83/4		BGL	8.7
EN askatchewan III	15ba	1991	5	71/2	1911/2	Niikko Secs, (Europe)	7.1
KB III	20ha	1996	18	8	1811/2	Noques int.	7.7
FCE II‡	28ba	1996	19	71/2	1013/4	Nomera Inc.	7.3
IDC 1	20ba	1996	18 5	6 5	100%	Nomera Int.	5.5
ordic kav, Bank ‡ DF 1	10ba 30ba	1981 1999	18	5.9	191 89.4	Saniva Int. Niiko Secs.	5.7 9.8
wedes 1	30bn	1996	19	8	1813/8	IBJ Int.	5.8
P Australia ‡	15bm	1893	7	6	191	Fuji lat. Fin.	5.8
annie Mae Di	27bm	1896	18	8	1011/2	Nomura lut.	7.7

**NEW INTERNATIONAL BOND ISSUES** 

## Caisse Nationale des Télécommunications US\$500,000,000 Multiple Option Facility

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MORGAN GUARANTY TRUST COMPANY OF NEW YORK BANK OF TOKYO INTERNATIONAL LIMITED

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BANCA COMMERCIALE ITALIANA ALGEMENE BANK NEDERLAND N.V. BANK OF TRKYO INTERNATIONAL LIMITED BANKAMERICA CAPITAL MARKETS GROUP

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BANQUE NATIONALE DE PARIS CRÉDIT COMMERCIAL DE FRANCE CRÉDIT LYONNAIS CRÉDIT AGRICOLE FIRST CHICAGO LIMITED THE DAI-ICHI KANCYO BANK, LIMITED

GENERALE BANK/BANQUE BELGE LIMITED GIROZENTRALE UND BANK DER ÖSTERREICHISCHEN SPARKASSEN AKTIENGESELLSCHAFT ISTITUTO BANCARIO SAN PAOLO DI TERINO IBJ INTERNATIONAL LIMITED MARINE MIDLAND BANK, N.A. MIDLAND BANK SA

MORGAN GUARANTY TRUST COMPANY OF NEW YORK SOCIÉTÉ GÉNÉRALE THE TAIYO KOBE BANK, LIMITED SUMITOMO BANK Union Bank of Switzerland

AMERICAN EXPRESS BANK/TRADE DEVELOPMENT BANK (FRANCE)

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Controller CAISSE DES DÉPÔTS ET CONSIGNATIONS Société Cénérale

December 1985

MORGAN GUARANTY TRUST COMPANY OF NEW YORK This announcement appears as a matter of record only:

Tender Agent

U.S.\$ 100,000,000

## **Corporate Property Investors**

105/8% Notes due 1992

LAZARD BROTHERS & Co., LIMITED

MORGAN GUARANTY LTD

AMRO INTERNATIONAL LIMITED BANQUE BRUXELLES LAMBERT S.A. BANQUE ARABE ET INTERNATIONALE D'INVESTISSEMENT (B.A.I.1.) CREDIT SUISSE FIRST BOSTON LIMITED

DEUTSCHE BANK CAPITAL MARKETS LIMITED

**KUWAIT FOREIGN TRADING CONTRACTING** 

KUWAIT INVESTMENT COMPANY (S.A.K.) THE NATIONAL BANK OF KUWAIT S.A.K.

MERRILL LYNCH CAPITAL MARKETS NOMURA INTERNATIONAL LIMITED

ORION ROYAL BANK LIMITED

SOCIÉTÉ GÉNÉRALE

SUMITOMO TRUST INTERNATIONAL LIMITED

SCHWEIZERISCHE HYPOTHEKEN-UND HANDELSBANK

WESTDEUTSCHE LANDESBANK GIROZENTRALE

Swiss Bank Corporation International

SMITH BARNEY, HARRIS UPHAM & CD. INCORPORATED

M. M. WARBURG-BRINGKMANN, WIRTZ & Co.

YAMAICHI INTERNATIONAL (EUROPE) LIMITED

Union Bank of Switzerland (Securities) Limited

AL-MAL GROUP ARABIAN GENERAL INVESTMENT CORPORATION **JULIUS BAER INTERNATIONAL LIMITED** Banca Manusardi & C. BANCA COMMERCIALE ITALIANA BANK OF HELSINKI LTD. BANK LEU INTERNATIONAL LTD. BANK OF TOKYO INTERNATIONAL LIMITED BANQUE GÉNÉRALE DU LUXEMBOURG S. A. BANQUE GUTZWILLER, KURZ, BUNGENER (OVERSEAS) LIMITED BARING BROTHERS & CO., LIMITED CHEMICAL BANK INTERNATIONAL LIMITED CEMPAGNIE DE BANQUE ET O'INVESTISSEMENTS, CBI CRÉDIT COMMERCIAL OE FRANCE CRÉDIT INDUSTRIEL O'ALSACE ET OE LORRAINE DAIWA EURDPE LIMITED EUROMOBILIARE GENERALE BANK GOLDMAN SACHS INTERNATIONAL CORP. HANOELBANK N.W. (OVERSEAS) LTD. GREAT PACIFIC CAPITAL S. A. KUWAIT INTERNATIONAL INVESTMENT CO. S.A.K. LTCB INTERNATIONAL LIMITEO LLOYDS MERCHANT BANK LIMITED MDRVAL & CIE S. A. THE NIKKO SECURITIES CO., (EUROPE) LTD. NIPPON CREDIT INTERNATIONAL (HK) LTD. NORDDEUTSCHE LANDESBANK GIROZENTRALE SAL. OPPENHEIM JR. & CIE. PAINEWEBBER INTERNATIONAL

VEREINS-UNO WESTBANK AKTIENGESELLSCHAFT

27th November, 1985

SPAREKASSEN SDS

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## Exco denies rumour of American Express link

Exec International, the money broking group which on Wednesday called off merger talks with Morgan Grenfell, denied yesterday that American Express, the US financial services considerates and a residual talks. conglomerate was a possible alternative partner.

Mr Bill Matthews, Exco chair-man, said: "We have never held any conversations with American Express about their hidding for us. There have heen no talks at any stage. I find this rumour very odd."

American Express bas size-

of England as those which halted merger talks with Morgan Grenfell.

The Bank rejected the Exco/

Morgan merger plans under the O'Brien rules which prevent close links between banks and

**Alliance Trust** 

improvement

Earnings for the year ended January 31 1986 at Alliance Trust are in line with forecast,

increasing from 17.65p to 20,91p. The dividend is lifted

Of the assets 47 per cent is in the US, where the portfolio has risen by 22 per cent, and 39 per cent in the UK, where the portfolin bas moved in line

Gross revenue came to £17.53m (£15.55m) and the pre-tax balance to £16.48m (£14.41m), subject to tax £5.87m (£5.45m). Dividend absorbs £10.46m (£8.69m).

Record profits of £278,396

earnings

contribution.

with the market.

Noble & Lund

net (0.1925p).

Turnover

Profit before taxation

Earnings per ordinary share

Dividend per ordinary share

\*Adjusted for the 1985 Rights Issue

Lower tea prices in Kenya plus adverse movement in exchange rates account mainly for the 23.6% fall in the Company's pre-tax profits at the half year to 31st December 1985.

The Directors have declared an unchanged interim dividend of 1.50 pence per ordinary share but have cautioned that earnings per share for the full current year will be lower than last year.

Both Alldays, Peacock & Co Ltd and Key Resource International Ltd were operating in difficult markets which showed no reasonable

prospect of improvement. It was therefore agreed to sell Alklays, Peacock – albeit at a loss – and to close Key Resource International, thereby eliminating its central overhead. These items, together with the writing off of KRI's deferred development expenditure, result in a section of the control of the

in an extraordinary item totalling \$2,682,000.

On the brighter side, there have been good performances from our UK engineering and road transport businesses, and better results from South Africa and Australia. Our consulting and civil engineering companies are finding conditions difficult and we have

Profit after taxation

#### **BOARD MEETINGS**

TODAT
Interime: CVD, Centinental Micro- wave, Parker Knall, Shandwick,
Yarrow. Finals: Antologests, Leidlew Them-
een, Low end Bonsr, Phicem. Per- pimmen, Rangerns Sims and Jefferies.
T & S Stores, Transport Osvelopment.
(nterime;
Lucea IndustriesMer 25 - Magnetic Metarials Mar 24
Old Coart Intril Reserves Mar 12

money brokers. These rules, able foreign exchange and deposit dealings on its own account in London and would almost certainly encounter the same objections from the Bank and their clients, the banks.

(Walter) & Goodricke

involved late last year when Tan Sri Khoo was building up his stake in Exco. Tan Sri Khoo is understood to have informed Exco over the weekend that he is not involved American Express is believed in any joint scheme with to be bankers to Tan Sri Khoo Teck Puat, the Malaysian businesman who owns a 27 per cent reached a standstill agreement Teck Pust, the Malaysian businesman who owns a 27 per cent stake in Exco. Their name may have been raised in connection with Exco hecause they were Exco. Exco 5nd Tan Sri Khoo reached a standstill agreement last December restricting Tan Sri Khoo's freedom to 5dd to his holding.

## Hawker Canada's net income down by 31%

per cent decline in net stribut-able income for 1985. It came to C\$13.38m, equal to £6.52m et from 17.25p to 20.75p net, with a final of 14.75p. At the year end the net asset current exchange rates, against \$19.47m in the previous year. This time there was an extra-ordinary debit of \$1.98m.

value had risen 3 per cent, from 874.4p to 901p. The fall in the dollar held back this performance by around 12 per cent, the directors claim, whereas previously it made an exceptional contribution. Earnings per share are down from \$2.29 to \$1.54; before the extraordinary debit they were \$1.78. The quarterly dividend is held at 24 cents.

which is 59 per cent owned by says it expects the early part of the UK combine, reports a 31 1986 to remain under the per cent decline in net attribut-shadow of m5rket conditions, but looks for improvement in the overall situation thereafter. Sales for the past year improved from \$411.5m to

\$421.96m, but Income dropped 10 per cent to \$32.19m (\$35.8m). After tax \$14.46m (\$12.62m), minorities \$2.4m (\$3.7m) and extraordinary debit \$1.93m, net income is \$13.38m (\$19.47m).

#### **COMPANY NEWS IN BRIEF**

FLEMING MERCANTILE CLIFFORD'S DAIRIES revenue to January 31 1986 up £964,000 at £5.73m, with 8 final dividend of 2,35p (2,28p), bring-ing the total to 3.8p (3p). Earnings per share rose from 3.21p to 3.87p and net asset value at the year end was 168p

AMERICAN Electronic Components, investment holding from the 11 months company with interests in the pre-tax were achieved by Noble and Lund in 1985, compared with £59,147 previously. Two large contracts were completed in the second half and the direccompany with interests in the manufacture of switch and tors believe there is scope for further improvement in the existing machine tool business. the six months ended Decem-Turnover in the year came to ber 31, 1985, and directors £1.96m (£1.52m). After tax intend to pay a final of 0.525p. Pre-tax profits were £835,000 £219,838 (£58,477) for earnings of 3.85p (1.02p). The final dividend is 0.35p for a total of 0.7p (£2.88m loss) from turnover of £3.64m. Earnings per share were 0.7p (28.8p losses).

Investment Trust reported net acquiring Morton Foods, which supplies coatings and ingredlent mixes to the frozen food and bakery trade, for £1.95m to be satisfied by the issue at par of unsecured floating rate loan notes 1987-1990. Morton's net tangible assets 5t end 1985 were £477,000; its profits before

to £112,000.

## Gelfer in agreed bid for David Dixon

By Charles Batchelor A & J Gelfer, the Glasgow-

based textile manufecturer, is to make an agreed bid worth £7.1m for David Dixon Group, the Yorkshire clothing company, just over five weeks after earlier merger talks were ebandoned.

The two companies said that

Gelfer's tie and beadware manufacturing would complement Dixon's hosiery, lelsure-wear, underwear and knitted fabrics business

Gelfer already owns 20 per cent of Dixons and is now offering 29 shares for every eight of Dixon. At Gelfer's Friday price of 108p this values each Dixon share at 391.5p-or 91.5p above the market nrice. or 91.5p above the market nrice. There is also 9 cash allernative of 200p per share, the price at which Gelfer made recent purchases of Dixon's shares, to conform with the Takeover Code. Preference sharebolders are offered ordinary shares on a 1-for-1 basis. Dixon's directors have irrevo-Dixon's directors have irrevo-cably undertaken to accept in respect of 16.5 per cent of the ordinary shares and 57.3 per cent of the preference.

#### **Barclays Merchant** shows 57% growth

Shows 57% growth
All divisions of Barclays
Merchant Bank contributed
positively to record results
achieved in 1985. Pre-tax the
profit was £21.3m, a growth of
57 per cent over the £13.8m of
the previous year.
There were particularly
strong performances from the
banking, treasury and corporate finance divisions, and from
Barclays Development Capital.
The profit gave an average
return on capital of nearly 30
per cent.

per cent.
In October the bank is to become part of the new inter-national investment bank, Barciays de Zoete Wedd. Assets at the end of 1985 totalled £1.94bn,

F.T. Share Information The following securities bave been added to the Share Information Services: Breekmount (Section: Property). Metal Bulletin (Newspapers, Publishing), Nationwide Build-ing Society 121 per cent 9/2/87 (Loans-Building Societies).

## Hambros planning to enfranchise shares

HAMBROS, the merchant class of ordinary shares carry-ank, has announced details of ing equal voting rights.

Hambros plans to capitalise bank, has announced details of e proposed share exchange which will enfranchise its limited voting shares and pave the way for Hambro Trust to sell its shareholding.

Hambros Trust, which owns shares of the bank and which represents the Hambro family ioterests, plans to sell its stake. The share swap scheme is intended to prevent an outsider winning voting control using a relatively small number of chares.

Hambros will make 8 scrip issue of one new fully-paid 122 share for every five parity-paid £2 shares now beld to compensate the holders for the reduction in their voting power. The £2 shares and the 5p limited voting shares would then be converted into a single

the £1.50 currently unpaid on the existing £2 shares so that they become fully paid. To match this three new 5p shares would he issued for every 5p share now held, and every four resulting shares would be con-solidated into one share of 20p. The £2 shareholders would be compensated by a capitalisa-

tion issue of one new £2 share for every five £2 shares already held. Finally, each fully-paid £2 share would be split ioto 10 shares of 20p.

Hambros' pro-forma issued capital after this deal and the purchase of control of Bairstow Eves, the estate egency, would be 135.48m 20p ordinary shares, nominally valued at £27.1m, and 1m pop parting \$1 charge worth 1m non voting £1 sbares worth

## L & G and Standard Life raise terminal bonuses

Company, Scotland's largest life company, and Legal & General Group, Brilain's second largest life company, have unchanged reversionary bonuses for 1985. The benefit of investment per-formance comes in higher ter-values by about 12 per cent.

for its assurance contracts a reversionary bonus rate of the f4.75 per cent of the sum cent of altaching bonuses. On Individual pension contracts, the rate is £8.75 per cent to 90 per cent of existing bonuses for the main contracts, from 55 to 65 per cent compound.

1ts terminal bonus rates on life contracts vary with the contract, rising to gage plan.

and attaching bonuses after 25 years, against 105 per cent previously, and a maximum of 180 per cent after 40 years. The net effect on 25-year con-

minal bonus rates.

Standard Life has decisred reversionary bonus rate on life for its assurance contracts a products of £4.3 per cent of the

#### SHARE STAKES

Changes in company share ordinary at 87p and now inter-stakes announced over the past ested in 40,000 ordinary (0.50 per week include: Stakis-Mrs Annitsa Stakis sold im ordinary at 70p.

cent).

Stakis—Mrs Annitsa Stakis

sold 1m ordinary at 70p.

Keysione Investment—Mercury Securities has disposed of lts holding (716,094 ordinary) at 450p per share.

Rames—MCD Groop has purchased a further 25,000 shares bringing bolding to 450,000 (10,125 per cent).

George Dew—D. M. Astes, director, disposed of 3,000 ordinary (9.0 per cent).

Carelo Engineering—Grieveson, Grantp purchased on behalf of J. W. D. Ewart, e director, 12,500 ordinary.

Vantage Securities 1.20 THURSDAY, MARCH 13

## FINANCIAL DIARY FOR THE WEEK

The following is a record of the principal business and financial framfington engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last

MULTIBANCO COMERMEX, S.A.

U.S.\$40,000,000 Floating Rate Subordinated Notes due 1992 In accordance with the provisions of the Notes and the Agent Bank ment between Multibanco Comermex, S.A. and Ciribank, N.A.

dated March 2, 1982, notice is hereby given that the Rate of Interes has been fixed at 715/16% p.a. and that the interest payable on the elevant Interest Payment Date, September 10, 1986 against Coupon No. 9 will be U.S.\$202.85. March 10, 1986

By: Citibank, N.A., (CSSI Dept.), Agent Bank

CITIBANCO

Unaudited Interim Results for the six months ended 31st December 1985

167,007

3.234

1,677

1.65p

For a copy of the Report or other information about Mitchell Cotts please contact the Secretary

Lockbend 20cts
Mabil 55cts
Mathitency Contrex Fits Reta Hts 1992
\$218.02

COMPANY MEETINGS—
Bank Lennal (UK), 4/7 Woodstock Street,
W. 2.30
Grandda, 36 Golden Square, W, 12.30
Trusthouse Forte, Grossenor House, Park
Lane, W, 11.00
United Scientific, White House, Repenta
Park, NW, 10.30
BOARD MEETINGS—
Heater Paraiments Remones Sime & Jefferter TAS Stores

Yarrow
DIVIDEND & INTEREST PAYMENTS—
Apricalitatal Mortgage 65accD8 1258-90
5.31250c
9ett 8706 1.50c
Carfoot Commonications 4.05a
Chevron 50cts
Damon 
6 mths. Dec. '84

£000s

4,231

2,423

not taken credit for any profits from our Ugandan tea, which is only now being exported again.

The second half of the year will be no less challenging than the

first. We recognise the need to belp ourselves through increased efficiency and reduced corporate overheads and the necessary action is already being taken, although the benefits will not be seen until

next financial year.
On balance, we would expect the results for the full year to be

lower than those for last year, perticularly in light of our resolve to provide fully for any extraordinary items of expenditure as they arise, rather than write them off over a period of years.

Mitchell Cotts plc, Cotts House, Camomile Street, London EC3A 7BJ

John R.Storar

3.20p\*

1.50p

178,176

Needlibra Finance BV Gtd Fits Rate Htr 1988 8214.86 macal Electronics 0.7865p
Rockwell in 18 286th
Royal Ban in 286th
So 270535 t Canada Fits 1
South Paper 11cts
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Transport icts Corp (Tite) 54cts 5 hpc 2008-12 Z-75et chrologies 35cts umbers 39cts po\_July 1997 Fits Rate 5ub

10.00 Lored (Y. J.). Ironmonours' Hall, Aldersonate Street, Berbican, EC 11.50
Vantage Securities, 7 Lincoln's Ing Fields, WC, 4.30 BOARD MEETINGS-

Finalsi
Caselover invastments
De Beers Consolidated Minas
Edinburgh Food Managers
Federated Housing
Hoogstong & Shanghat Banking
Kteinwort Bessen Lossésie
Robinson Bros (Ryders Green)
seterinss Fletcher Challegge

Year June '85

£000s

366,980

12,067

7,961

10.02p

4.25p

Micratifin Reprographics
DIVIDENO & INTEREST PAYMENTS—
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Terreto THURSDAY, MARCH 13
COMPANY METHOS—
Arayle Trust, B Station Road, genedics,
Berkshire, 11.00
Combridge Water, 41 Rustet Road, Combridge, 8.00
Charter, 7rust 6 Agency, 20 Penchurch
Street, EC, 12.45
Cranbook, Electronic, Walter House, 4.00 4.00 Techniques, St Giles, Newtown. 1 Kerr, Essex Hall, Essex Street, 11.00 11.00
In Penturoke Hotel, Blackpool, 11.00
In Scottish Financa, St James's House,
lette Street, Manchester, 12.00
Organisation, Gloocetlar Hotel,
ington Gardens, SW, 12.00 BOARD MEETINGS-276 Cement-Roadstone Just Keen & Nertiefolds Liberty Life Association of Africa Victors U. N.J. (Vimbol Liberton L. N.J. (Vimbol Liberton L. N.J. (Vimbol States Debenture Corp

m solidated Gold Flaids matten Syndicals

weetonte's United Colleries
DIVIDEND & INTEREST PATMENTS—
Ibien 0.7g
Ibien 0.7g
Ibien 0.7g
Ibien 0.7g
Ibien 1.7g
452.5 Morcantile House 8.25s Monianto 82.5cb Nedibra Finance 6V Gtd Fin 1993 \$2109.18 Trans-Natal Coal 48cts

Wells Fargo & Company U.S. \$200,000,000

> Floating Rate Subordinated Notes due 2000

visions of the Notes, notice is hereby given that for the Interest period 10th March, 1986 to 10th April, 1986 the Notes will carry an Interest Rate of 7-1/18% per annum. Interest payable on the relevant

interest payment date
interest payment date
10th April, 1986 will amount to
US\$68.35 per US\$10,000 Note
and US\$341.75 per US\$50,000
Note.

Agent Bank: Morgan Guaranty Trust Company of New York

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Jaquar New Darlen Oll Trust Royal Dotch Petroleom

DIVIDEND & INTEREST PAYMENTS—
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DIVIDEND & INTEREST PAYMENTS—
Espood-Pelepah 0.11 p. A 0.22p
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London Scottish Finance 2.18
Evensk Esportkredk AG Fits Rate Hts
1992 5502.78
Time Int. ERICALY, MARCH 14
COMPANY MERITINGS—
Erunner Int TSL 20 Finicharch Street, EC.
12.45 Brunner Inv Tst. 20 Fencharch Street, EC. 12.45
County Properties, Victoria House, Varnon Place, WC. 12.00
Drayton Far Eastern Trust, 11 Devonshira Souare, EC. 2.200
Piccadilly Rapia, 127-151 The Plazza, Piccadilly Plaza, Manchester, 12.00
BOARD MEETINGS—

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8-125pc
Sinser 10cts

8.125pc Singer 10cts Sweden (Kingdom af) 131-pcLa 1986 (Reg) 8.75pc, 134-pcLn (8r) 6.75pc 7RW 75cts Treasery 35c 1.5pc Treasery 35c 1.5pc DIVIDAD 6 INTEREST PAYMENTS— Agricultural Morricage Tre 74pcDb 1991-1993 3.875pc, 81-pcDb 1983-89 4.75pc

## Series 036

U.S.\$42,000,000 Short-term Guaranteed Notes issued in Series under a

Note Purchase Facility by **Mount Isa Mines** 

U.S.\$280,000,000

(Coal Finance) Limited Notice is hereby given that the above Series of Notes issued under a Production Loan and Credit Agreement daled 30th March, 1983, carry an Interest Rate of 77.9% per annum. The Issue Date of the above Series of Notes is 11th March, 1986, sod the Maturity Date will be 11th September. 1986. The Euro-clear reference number for this Series is 20751 and the CEDEL reference number is 590673.

Manufacturers Hanover Limited

10th March, 1986

## EGUITIES u2.8 2.2 4.3 12.0 Q5.97c 8.6 1.920.7 UB.08 2.8 1.624.5 R2.0 4.7 1.B.16.1

#### FIXED INTEREST STOCKS

lesue Orice	Amount paid up	atest anuno. dete	196	6/6	Stock	Closing Price &	+ or
	45	75.	High				
97,203 86,856 98,887 199,74 199,11 94,817 96,977 19,706 199,706	ESO CBS F.F. F.P. F.P. MII F.F. F.F. Hill CBS	95,4 10,5 11,4 10,5 16,4 16,4 28,9	1014 3884 291 107 102 95& 115p 104 147p 5ppn- 51 991 117	301, 251, 105, 281, 961, 107( 99, 100, 140, 5ppm, 251, 96	First Scot, Am, 11/2% 0eb. 2016. Hampton Tst, 1\(\frac{1}{2}\) ist. Mert. 0eb. 3025. Inter-Am 0ev Bik 9/2 Una Ln 2015. Lawrence (W.) 18/2 Cnv. Cum. Red. Fref. Mecca Leisure 11 18/3 0eb. 2011. Nationwide Sidg. Soc. 18/2 8/367. Porter Ched. 8/3 Cnw. Cum. Red. Fref. Porter Ched. 8/3 Cnw. Cum. Red. Fref. 93. Samuel Props. 11/2 ist. Mort. Deb. 2016 T. T. Finance 11/2/3 Gtd. 0eb. 2016.	29 <sup>12</sup> 107 109 102 25 <sup>14</sup> 1100 104 1460 5ppm 31	+12

#### RIGHTS OFFERS

lesuò	d up	Latest Renunc.	198	B/B	Stock	Ofceing	+ or
price	Pal	date	High	Low		용호	
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Resunciation data sessally less day for dealing tree of atomo duty. b Figures based on prospectus estimates. 2 Assumed dividend and yield. F Forecast dividend cover on semings applicad by latest input materians. In Dividend and Yield based on prospectus or other official autimates for 1988. R Forecast amunitant dividend, cover and p/o ratio based on prospectus or other official autimates. I hadicated dividends: power relates to previous dividend; c/o ratio based on latest sanutal sensings, a Forecast, or exclusive deviced: c/o ratio based on latest sanutal sensings, a Bernard cancelless dividend tats, cover based on pravious year's sensings. I besued by bander. [Officed beliefs is artinary shares as a "rights." If introduction. \*\* Issued by way of capitalisation, merger or takeover. Malletment price. If United operation with reorganization, merger or takeover. Malletment price. If United operations market. If Dealt in under Rais 535 (3). \*\* Ooalt in under Rais 535 (4) (a).

## PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus\*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

Osta	Anneance. ment lest year	De18	Announce. ment lest
Assoc British		C1 1 1 10 44	year
BAT IndesteMar 25	Final R 26	Shanghal BkgMar 11 Horizon	Final <b>50.31</b>
BBAMer 13	Finel 0.9	TravelMar 19	Final 3.52
ICC Mar 28	Finel 7.04	1841	FIRST 3.52
SG IntlApr 2	Final 0.63	IMIMer 26	Fins! 2.5
TRMar 12	Final U.55	JaguerMer 13	Final dee
The man and the same of the		*Klainwort	
sboock InilMar 27	Final 4.3	BensonMer 11	Final 9.0
Parin11		Kwik 5sveApr 12	Interim 1.4
evelopmentsMer 20	Interim 2.31	LedbrokeMar 28	Final 5.523
Beszer		LairdMar 29	Final 3.2
(C. H.)Mer 26	Interim 4.0	Lagai and	A small Date
eiomMer 12	Interim 1.75	GeneralMer 26	El1440
lestobellMar 20	Finel nil	Jacobs Ass 2	Finsl 14.0
Booker	LINGI IIII	LeemeApr 3	Finsl 7.7
McCennellMar 26	F1-1 -1	*Low and	
Annual 20	Final B.25	BonerMer 10	Final B.7
remmerApr 13	Finel 5.0	"Lecas IndeMer 26	Interim 2.6
remmerApr 2	Finel 7.3	*Metal	
rent Chems Mar 24	Final 2.75	CloserosMar 28	Finsl 4.5
ridenMer 28	Final 2.B	Ocean	
Britannia .		TranspertMer 27	Final 2 25
ArrowMer 27	Final 1.4	*Paterson	Finel 3.35
ritish	11.101.1.4	Zochoole Man 40	
AerospecaMar 26	Finel B.4	ZocheniaMer 1B	Interim 1.55
ritish Car	Filial D.4	PeersonApr 2	Fina1 11.0
		P & OMer 28	Final due
AuctienMer 26	Intarim 1.25	*Predentle!Mar 25	Final 15.0
ritoilMar 21	Finel 8.2	"Rensomas Blmc	
rown Soveri		and JefferiesMer 10	Final 14.0
enziApr 27	Final 1.3	Reckitt and	
enziApr 2	Final 4.25	ColmanMar 26	Finel B.B
uimah OilApr 11	Final 7.25	RockwersMer 21	
ertonMar 27	Interim 2.5	Rowntree	Final nil
ament	THE PARTIES	Mackinson Manage	
RoadsteneMer 12	Finel 2.0	MackintoshMor 14	Finel 7.4
estos Bres Apr 2		Rugby Prind	
ollina (W.)Mar 12	Finel 3.2	CementApr 7	Final 3.3
embined Eng	Final B.O	"Sime Oathy . Mar R	Interim 4 son
		"Shell	Final 27.1
SteresMar 25	Finel 2.94	Sleagh EstaAor 1	Final 3.0
one GeldMer 12	Interim B.3	OF YOR ADD BUTTING	Interim 1.5
rode IntMer 26	Final 8.25	Smith and	***************************************
rode IntlMer 26	Finel 4.0	NephawMer 26	Final C 47
ROMpr 27	Final 4.6	Staffa PottsMer 28	Finel 3.13
BitaMar 21	Final 2.68	BlondardMer 28	Interim 1.0
BeersMer 11	Final 27.5c	CharteredMer 26	
2916In		Breetley Mar 25	Final 18.0
ProduceApr 2	Final 7.5	BreetleyMer 24 StockleyAor 4	Final 7.5
		SweetingApr 4	Final dua
OilMar 26	Final 6.0		Final B.75
mrod Ana 2		Suter	Final 2.3
co lott Mar 25	Final 1.B	"I Tanaport	
see InilMer 25	Fie41 4.75	_DevelopmentMar 10	Final 4.0
const InstMer 18	Final 3.0	TricentrolMer 28 Turser and	Final B.O
		*Turser and	
MiningMer 13	Final 135c	Newall Mer 20	Finel 1.5
ynwed IntlApr 3	Final B.O	*UltramerMar 12	Final 5.5
uardian Reyal		United	טים ושויו ו
ExchangeApr 2	Final 17.5	BlacuitsMer 13	F1
lest KeenMar 12	Final B.5	*United	Final 4.8
JVVKBT			
SiddeleyApr 12	Final 7.7	NewspapersMer 25	Final B.O
pworth		Wagan	
CeramicMer 1B	Finel 4.0	FinanceFeb 14	Final 2.5
ckson intiMer 24	Finel 10.0	WeirApr 3	Final 2,125
BBs and	100	Willis Faber Mer 20	Final B.S
Hill Acr 2	Cinal 7 o		
me Charm Mor 26	Final 7,8 Final 1.79	Board meeting Indmi	Red. + Rights
mg Kang and	F1041 7.75	sava pince mada. # Tax	free, 5 Scrip
		* Board menting Indmi iasua since mada. ‡ Tax leeue aince made. ¶ Fore	Cast

## Granville & Co. Limited

8 Lovat Lane London EC3R 88P Telephone 01-621 1212 Over-the-Counter Market

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Capitelisam.	Cempsey	Bet.	Change	Orosa	Yiald	F/1	Fally
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4,400	Asa. Bat. 1110. Hrg	1-34	74	7.3	6.5	8.1	7.5
4.052	Ass. Brit. Ind. CULS	137	+ 4	10.0	7,3		7.0
860	Airsprung Group	70	_	6.4	2.1	11.7	16.2
	Armitogs and Rhodea	34	_	4.2	12.B	4.2	
65,561	Berdon Hill	173	+ 1	4.0	2.3	21.B	5.1
3,063	Bray Technologies	56	1	B.B	7.0	21.5	22.8
483	CCL Indinary	138		12.0		5.8	7.9
1,238	GCL 11pc Cenv. Pf	99	_	16.7	B.7	3.4	3.2
8, 159	Carbarundum Ind.	138	+ 1	4.B	16.B		_
537	Carborundum 7.5pc Pt.	91	· <u>-</u> -	10.7	3.6	8.7	10.5
4,461	Deborah Services	57×0		7.6	17.E	_	_
3.178	Frederick Parker Group	22	• =		12.3	6.8	7.8
1.845	Gaorge Sisir	100	+ 2	_	_		_
2.640	Ind. Procision Castings	65	- ž.		_	4.1	7.4
12,985	Isis Group	163		3.0	4 B	17.2	14.3
B.145	Jackson Grosp		+ 2	15 0	8.2	12.5	18.7
48.048	Jackson 0:095	115	_	5.5	4.7	7.B	7.B
	James Surrough	344	+ B	15.0	4.4	10.9	10.B
3.2B2	James Burrough 9pc Pf.	94xc	1 + 1	12.9	13.7	.0-3	
6,774	John Howard and Co.	-65	_	5.0	7.7	3.2	
31,402	Minthesse Helding NV	960	+20	B.9	0.7		8.1
663	Robert Jackies	85	- 2			41.9	39.8
1,800	Scruttens 'A'	30	_	_	_	8.4	18.5
1.684	Torday and Carlials	69	_			-	7.7
1,498		330		6.P	7.2	3.5	0.3
B.321		53	. =	7.9	2.4	6.8	8.1
17,690	Walter Alexander	170	+ 3	2.1	4.D	14.4	14.1
		138	+ 1	8.8	B.2	7.B	9.3
4.668	W. 5. Yeeks	200	_	17 4	D =		-,0

#### FINANCIAL TIMES STOCK INDICES 127.4 49.18 86.22 78,02 90,39 89,89 90,15 150.4 50.33 Ordinary, 1299.4 1301,5 1281,5 1266.5 1877.4 | 1505.8 911.0 1306.6 49.4 339.8 337.8 387.8 348.7 237,9 734.7 45,5 333.B 335.2 536.8 Gold Mines..... 750.85 763.17 De1.88 765.17 FT-Acc All Share. 763.17 761.12 762.12 762.48 747.59 1573,8 1566.1 1569,1 1548.9 1534.8 1:43.9 1575.8 120..1 1575.8 985.9

LADBROKE INDEX 1,302-1,306 (+12) Based on FT Index Tel: 01-427 4411

5 4 124 6 6 125 **3**3

 $|\psi_{i}| \leq 2$ 

There are 500 words in this advertisement.

Each one is worth reading very, very carefully. Because they develop an argument which, when followed through to its logical conclusion, could lead the way to the formation of a new company with an annual turnover well over £6,000,000,000. (Half of which comes from related businesses.)

The two companies are United Biscuits and Imperial.

United Biscuits are frontrunners in the food market and expanding fast in leisure.

Imperial are leaders in the food,

of America.

One of those brands is Pizzaland whose restaurant opening programme will be accelerated.

On the subject of overseas markets, United's growing presence in North America, Hong Kong, Japan and the Third World will open new doors for Imperial. Much as their world markets will be introduced to us.

## Two frozen peas in a pod.

One of the fastest growing world markets is Frozen Foods.

The home market as much as the catering market.

# Consider these 500 words carefully. Each one could be worth £12 million.

leisure and tobacco markets. (See? Common ground already.)

By joining forces, our combined turnover, based on 1985 sales, will be well above £6 billion.

## One and one is more than two.

From this point on, the words grow progressively more valuable.

If our combination stood only for a pooling of sales, our argument would be strong.

What makes it incontrovertible and so potentially fruitful, is how those common resources could be exploited.

Imperial presently control over 6,000 pubs, restaurants and shops.

Ready markets for United Biscuits' crisps, snacks, confectionery, pizzas and burgers.

Simply by coming together, we could substantially increase our penetration into these outlets.

## Two vans can't live as cheaply as one.

All those pubs and restaurants, as well as a nationwide network of tobacconists, need regular replenishment.

By bringing together our distribution and wholesale operations, we anticipate an impressive reduction in overheads.

Imperial's strong cash flow will provide a rich source of funds to invest back into our brands both at home and in the United States Imperial, with Ross and Youngs, are strong in supermarkets. We're both growing fast in the catering trade.

Together, we can consolidate our successes and create a giant bigger than the jolly green one.

## Even more resourceful.

As you read this, there's a team of people at United Biscuits working hard on new product development. Our record testifies to their successes in the past.

Round the corner, at Imperial, another team is busy on their new product development.

It's easy to imagine how the pooling of those resources could benefit both companies.

## Ask the other half.

It's not just United who want Imperial.

It's Imperial who want United.
Both of us know just how well
suited we are to each other.

Just how powerful a force we can be together.

However many words others may give you, in the long term they just can't add up to the same value.

And in the long run, it's not words that count.

But the value behind them.

# **United Imperial**

THE LONGER YOU LOOK AT IT, THE MORE IT MAKES SENSE.

## **Anglo American Industrial Corporation Limited**

Company Registration No. 63/05282/06 PRELIMINARY EARNINGS ANNOUNCEMENT AND NOTICE OF FINAL DIVIDEND ON THE ORDINARY SHARES

Subject to final audit, the following are the preliminary res its subsidiaries for the year ended December 31 1985.	ults of the co	rporation an
Turnover	1985 R million 2 559.2	1984 R million 2026.0
Earnings from operations	287.8 89.3	250.7 72.8
Dividends Share of retained esrnings after tax	59.6 29.7	68.2 4.4
Income fcom investments Interest earned	1,5 45,3	2,3 17.1
	423.9	342.7
Expenditure on research and development Finance lease charges Interest paid	18.4 36.4 190.9	13.5 7.2 80.9
	155.7	101.g
Taxation	268.2 42.0	241.1 43.5
Earnings after taxation	226.2	197.6
Outside shareholders' interest in earnings of subsidiary companies  Preference dividends	52.8 1.4	38.5 1.6
	54.2	40.1
Earnings attributable to ordinary shareholders  Extraordinary Items (Note 2)	172.0 (88.1)	157.5 (23.2)
	83.9	134.3
Ordinary dividends—Interim —Final	27.3 62.0	27.3 62.0
	89.3	89.3
Retained earnings	(5.4)	45,0
Welgbted average number of ordinary shares in issue during year (000)	49 638 348.6	47 803 329,4
	EE 0	ee 0

The depressed trading conditions which were experienced in the second balf of 1984 continued throughout 1985. Although the significant fall in the value of the rand contributed to higher export revenues, the benefits were offset to some extent

During the year the corporation continued its policy of disposing of or reducing its shareholdings in certain non-strategic or underperforming investments. The amount of R88.1 million reflected as extraordinary items consisted principally of the net loss incurred on disposal of these boldings and additional provisions made against certain of the remaining boldings in associated companies and investments. As part of this investment rationalisation, the corporation reduced its effective holding in South African Motor Corporation (Froprietary) Limited ("Samcor") to 19 per cent with effect from January 1 1985. Consequently, in terms of the corporation's accounting policy, Samcor is not an associated company and its results have not been equity-accounted. The group's 1984 results included an attributable loss of R44.1 million in respect of the corporation's 50 per cent equity interest in Amcar Motor Holdings (Proprietary) Limited.

At December 31 1985, all foreign loans taken up by the corporation's subsidiaries were fully covered.

were fully covered.

The Mondi group's performance improved considerably in the second half of 1985 and the R865 million pulp mill at Richards' Bay produced 220 000 tons of pulp during the year. Mondi Paper Company Limited intends to proceed with a rights issue during 1986 to raise approximately R70 million. The proceeds from the rights issue will assist in financing the investment in the pulp mill, which cost more than was originally anticipated as a result of the fall in the value of the rand, higher interest rates and the increase in general sales tax. Amic's share in the rights issue, amounting to some R44 million, will be financed from the proceeds of new shares in the corporation to be subscribed by sharebolders electing the alternative set out in the dividend notice below, which alternative the major shareholders have agreed they will elect.

It is anticipated that the twenty-second annual report of the corporation for the year euded December 31 1985 will be posted to members on or about March 19 1986.

FINAL DIVIDEND NO. 44

euded December 31 1985 will be posted to members on or about March 19 1986.

FINAL DIVIDEND NO. 44

The directors have declared a final dividend of 125 cents per share (1984: 125 cents) in respect of the year ended December 31 1985, payable on May 30 1986 to ordinary shareholders registered in the books of the corporation at the close of business on March 27 1986. Shareholders may elect to receive their dividends in cash or they may elect to ntilise up to the amount thereof to subscribe for a whole number of new ordinary shares in the capital of the corporation to be issued at a price of 4 125 cents per share which, upon issue, will rank peri passu in all respects with the existing ordinary shares in issue. Any portion of the dividend not so utilised will be paid to such shareholders in cash on May 30 1986. The election to receive new ordinary shares may only be exercised by shareholders registered as such on March 27 1986. Election forms, together with a detailed explanatory statement, will be despatched to registered shareholders on or about April 4 1986. These election forms must be completed and returned so as to reach the transfer secretaries by not later than 16000 on April 25 1986.

This dividend, together with the Interim dividend of 55 cents per share declared on August 27 1985, makes a total of 180 cents per share for the year (1984: 180 cents). The ordinary share transfer registers and the ordinary section of the register of members will be closed from March 28 to April 13 1986, both days laclusive, and, where applicable, warrants in respect of dividends or portions thereof will be posted from the Johannesburg and United Kingdom offices of the transfer secretaries on or about May 30 1986. New share certificates will be posted to members on or about May 30 1986. Registered shareholders paid from the United Kingdom will receive tha United Kingdom currency equivalent on April 1 1986 of the rand value of the full amount of their dividend or, where applicable, the balance not utilised to take up new share

By order of the board ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED Secretaries

Registered office: 14 Main Street Jobanneshurg 2001 (P.O. Box 6158)

Marshalltown 2107)

40 Holborn Vladuct London EC1P 1AJ

per P. A. Armstrong Divisional Secretary Transfer Secretaries: Consolidated Share Registrars Limited 1st Floor—Edura 40 Commissioner Street Johanneshurg 2001 (P.O. Box 61051, Marshalltown 2107)

Hill Samuel Registrars Limited 6 Greencoat Place

Teollisuuden Voima Oy

Notice is hereby given that the Rate of interest for the final interest Sub-period of the interest Period ending on 9th April, 1986 base been fixed at 717% per annum. Coupon No. 8 will therefore he payable at US\$201.56 per Coupon on 9th April, 1986.

Manufacturers Hanover Limited

DANSK NATURGAS A/S PLOATING RATE NOTES

Moren 10, 1988
THE CHASE MANHATTAN BANK N.A.
LONDON, AGENT BANK.

## THE WEEK IN THE COURTS

## White Paper takes fresh approach to extradition

THERE are two parallel routes by which e fugitive from criminal justice can be surrendered by the UK to the country where he committed his crime: one for Commonwealth countries end the US, the other to the surrendered to the surrendered to the surrendered by the UK to the countries one for Commonwealth countries end the US, the other to the surrendered to the surrendered to the surrendered to the surrendered to the surrendered to the surrendered to the surrendered to a jurisdiction without undue difficulty or continuous tion with the hest claim to try fusion, could remain part of the surrendered to a jurisdiction without undue difficulty or continuous tion with the hest claim to try fusion, could remain part of the surrendered to a jurisdiction without undue difficulty or continuous tion with the hest claim to try fusion, could remain part of the surrendered to the surrendered to the surrendered to the surrendered by the UK to the function of the assisting authorities to enter upon questions that the surrendered to the surrendered by the UK to the function of the assisting authorities to enter upon questions that the surrendered to the surrendered by the UK to the function of the assisting authorities to enter upon questions. for the rest of the world.

The law of extradition in this

In the Home Office White Paper on Criminal Justice: Plans for Legislation, a deep and hitherto unreconciled conflict between the Anglo-American attitude, to the question wbether requesting authorities ought to be required to adduce evidence of the fugitive's guilt, and the approach of the rest of the world, is to be resolved in favour of the latter. resolved in favour of the latter. Commonwealth countries

monwealth territories in respect of the return of those fugitives from Britain.

That act requires a Common-

That act requires a Common tha requirement plainly irk-wealth country to make out a some. Their attempts to comply prima faci case of guilt against oftan mean that they fail. an alleged fugitive criminal before another Commonwealth country will grant extradition. The weight of the evidence get their fugitive criminals required is the same as would an alleged fugitive criminal The weight of the evidence required is the same as would be required by those courts before sending a person accused of the commission of an offence within their own jurisdiction for trial before a judge and

That procedural safeguard for fugitive offenders within the Commonwealth system is to remain untouched in the proposed legislation.

request conforms to the treaty and statutory requirements.

The justification of this position is that extradition is a to the Anglo-American concept measure of international judi- of the prima facia case, it is

accused.

It is wrong to abolish the prima facia requirement; the full evidential rigour of the prima facia case, it is

Justinian

that jurisdiction.
Courts in these jurisdictions country so far has insisted that whichever country asks for return of an offender, evidence of the fugitive's guilt must be presented by the requesting state before the UK Government is obliged to accede to a request for extradition.

In the Home Office White Paper on Criminal Justice:

The White Paper states that "the Government believes that the prima facle requirement should be abolished." It should be abolished." It properly asserts that the prima facie requirement presents "a formidable impediment to entirely proper and legitimeta extradition requests."

In short, the Commonwealth Commonwealth countries and American countries underseek the return of their stand the requirement of criminals through the Fugitive evidence before an accused is made to face his trial, and replicated in the other Commonwealth through the stand the requirement of the replicated in the other Commonwealth through the stand the requirement of the replicated in the other Commonwealth through the requirement of the replication of the requirement of the requirement of the requirement of the requirement of the requirement of the requirement of their stands of the requirement of their stands of the requirement of their stands of the requirement of their stands of the requirement of their stands of the requirement of their stands of the requirement of their stands of the requirement of their stands of the requirement of their stands of the requirement of their stands of the requirement of their stands of the requirement of their stands of the requirement of their stands of the requirement of their stands of the requirement of the re therefore encounter no diffi-culty in complying with it whan extraditing fugitive criminals. But other foreign states find

Thus, on the grounds of practicality, there is sense in preserving the requirement of avidence of guilt for the countries of the Commonwealth, but not for the countries who do not operate tha Anglo-Saxon system in their criminal pro-

Most other countries reject mental rights there is no the requirement to produce evi-dence of guilt. The law of between the two routes to France and most other civil law extradition. What is sauce for between the two routes to should suffice to retain extradition. What is sauce for requisite safeguard to

grounds for suspicion be adduced as cannot be immediately shown hy the accused to be false.

For example, if the accused was in the position to prove that is enough that the warrant bas be was in Austria at the time been regularly issued, the fugi-tive's identity established, and mitted a murder in France, why should not the Austrian court examine the facts presented, et least to the degree necessary to enable the accused (if he is able to do so) to adduce any imme-diately exculpatory evidence that would manifestly result in an acquittal?

The point was aptly put hy that great American judge. Mr Justice Holmes: "For while a man is not to be sent from the country marely upon demand or surmise, yet if there is pre-sented, even in somewhat un-technical form according to our ideas, such reasonable ground to suppose him guilty as to make it proper that be should be tried, good faith to the demanding government requires bis surrender. We are bound by the existence of an extradition treaty to assume that the trial will be fair."

The Government states that

the prima facie requirement "does not offer a necessary safeguard for the person sought by the requesting state." It plainly

No amount of sophistry will gainsay that the showing of a prima facie case is not merely a defensible but a positively commendable practice in the law of extradition. Something less than examinetion of the facts themselves in their entirety, to see whether the charge is made out or not,

## **APPOINTMENTS**

## **Deputy MD for Currys**

Mr Roger Wood has joined the board of CURRYS, a subsdiary of Dixons Geoup, as deputy managing director. He has been employed for the last four years employed for the last four years by United City Merchants where he was deputy chairman and chief executive. At Currys he will have functional account-ability for the finance and admi-nistration, management information systems and distribution departments, all of which are headed by individual directors.

Mr Tony Verrinder, director of economics and finance, has re-tired from the BRITISH WOOL MARKETING BOARD. Mr Robert Rhodes, who joined the board seven years ago as chief accountant, succeeds Mr Ver-rinder as finance director.

Mr Clivo Thomas has been appointed ranaging director of the newly formed CAXTON PROPERTY SERVICES WALES, a member of the OCS Group. Mr Malcolm Dacey has appointed director.

Mr Stuart Perilli has been appointed marketing director of CROWN UNIT TRUST SAVINGS He has bene with Fidelity Unit Trust Managers for the past six years in a senior markating

Mr Andrew G. Carnegie has Mr Andrew G. Carnegie has been appointed managing director of BRAND ACTION while remaining a director of the parent Cromer Titterton Mills Cowdrey. Mr Nigel Forsyth and Mr Keith Bamber, directors of Bamber Forsyth Design, join Brand Action as creative directors and Ms Corrine Green also joins tha board.

Frankfurt branch, will succeed Mr Kenil Yssui as general manager of the London branch.

Mr Verson Ferens has been appointed chairman of the SUNDERLAND AND SHIELDS BUILDING SOCIETY. He has heen a director since 1961 and deputy chairman for four years. He succeeds Mr Tom Stafford.

AER LINGUS has appointe Mr Dems Hanraham as chief executive—ancillary activities to succeed Mr Gerry Dempsey who succeed Mr Gerry Dempsey who is retiring to pursue other husiness interests. Mr Hanrahan was general manager — ancillary

At BYAS MOSLEY GROUP.
Lloyd's nrokers, the chairman
Mr G. H. Fletcher retired on
March 1. Mr K. C. L. Wehh
hecomes chairman of the holding
company in his place.

Mr Garth Shephard has joined the hoard of INFORMATION TECHNOLOGY LIMITED (ITL) as technical director. Mr Shep hard came to ITL from the HO staff of Plessey, where he was engineering executive in charge of research and development on "fifth generation" computer and voice recognition systems.

Mr Alan A. Fairs bas joined BRADSTOCK BLANCH as an associate director.

EXCESS INSURANCE GROUP has appointed Mr Nealo Harris marine director.

Mr Andrew C. Hngh Smith, chairman of Capel-Cure Myers, deputy chairman of ANZ Merchant Bank and a director of ANZ Holdings, and Mr Michael ANZ Herchant Bank, has joined the board of READING & WEST Merchant Bank and ANAGEMENT. This follows the ANZ Merchant Bank follows the ANZ Merchant Bank becoming a minority shareholder.

> Mr Ken Gosling has been appointed to the main hoard of BOWDEN DYBLE HAYES & PARTNERS. He was an assoclate director.

tors and Ms Corrine Green also joins tha board.

Mr Kenji Yasui, general manager of the DAIWA BANK, London hranch, is leaving later this month to take up his new position as ganeral manager of Daiwa Bank's Tokyo business development division. Mr Kazntaka Ishi, a former general manager of the Daiwa Bank Radamed Defence Systems.

#### **BUSINESSMAN'S DIARY** UK TRADE FAIRS AND EXHIBITIONS

March 9-10
British Chemists Exhibitions—
BRITCHEM (01-802 4258)
NEC, Birmingham
April 3-6
Cardening Exhibition Control (Cardening Exhibition) March 11-13 Spring Annual Gardening Exhi-International Production Show bitton—SAGE (021-780 4171)

International Production Show for the Electronics Industry (0280 815226)

March 16-19

Meat Technology and Food Processing Exhibition — MEATEX (0423 61819) NEC, Birmingham (0423 61819) NEC, Harrogate Fashion Fair (01-637 2400) Exhibition Centro

Exhibition-

OVERSEAS TRADE FAIRS March 13-16

arch 16-22 Larch 16-22
International Spring Fair (01-493 April 26-24
6111)
March 17-21
April 26-24
Tbird Sandi Oil Show (01-486
3741)
Al-Khobar

March 26-26
International Machine Tool,
Metalworking & Allled Industries Exhibition (01-486 1951)
Beiling Trace Fair (01-25) 2175

Amsterdam
May 2-15
International Printing and Paper
Fair—DRUPA (01-493 3983)

ernational Fire and Security

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Fashion Fabrics Exhibition—
FASHION FABREX (01-385
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March 25-27
Fashion Fabrics Exhibition—
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March 13-16
Scandinavian
Travel and
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March 17-21
Store and Shopfitting Equipment and Machinery Exhibition—
KORSTORE (01-439 0501) Seoul
March 19-23
International Spring Trade Fair (01-977 4551)
March 26-26
Machine Tool

Machine Tool

37-21

April 22-26
International Traffic Engineering Trade Fair (01-437 2175)
Amsterdam

March 22-24
International Footwear Trade
Fair (01-493 3893) Dusseldorf
March 23-26
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struction Conference (0572 822711) Hilton Rotel, W1

April 14-15
FT Conferences: The fourth manufacturing automation forum (01-621 1355)
Hotel Inter-Continental, Wi

## BUSINESS AND MANAGEMENT CONFERENCES

March 9-11
Metal Bulletin Conferences: European Study Conferences: Fourth International Mini Mills
Fourth International Mini Mills
The London International Construction Conference (6572 Hilton International, Paris 822711)

FT Confarences: The Euro-markets in 1986 (01-621 1355) Hotel Inter-Continental, W1 March 12 High Point Research and Studies:

High Point Research and Studies:
Key to better building and development (021-632 4561)
Royal Garden Hotel, W1
March 14
The Economist: Putting your messaga across—making corporate communications work (01- E39 7000)
Portman Hotel, W1
March 17-16

April 15-16
IBC: Marketing in the travel industry (01-236 4060)
Portman Hotel, W1

April 15-16
Toracle Business Information: Tax planning for tha single contract self-employed (01-727 3503)
22 Portman Close, W1

April 17-18

March 17-16
FT Conferences: Pensions in 1986 (01-621 1355)
Hotel Inter-Continental, W1
March 17-19
Iraq Reinsurance Co: International conference on war risks insurance (01-626 2351) Baghdad March 19-29
Lion International: Planning construction management (01-833 2705)
Tower Hotel, E1
March 21
Oracle Business Information:
Managing a unit trust—taxation

3503)
22 Portman Close, W1
April 17-18
Institute for International essearch: The financial, commarcial and ontrepreneurial opportunities for prospering through privatisation (01-434 1017)
112 Pall Mali, SW1
April 26-22
The Economist: Intrapreneur-ship in practice—developing and managing innovation in large corporations (01-839 7000)
Ettington Park Hotel, near Stratford about Avants.

Hotel Inter-Continental, W1

2705)

March 21

Oracle Business Information: Ettington Park Hotel, near Managing a unit trust—taxation and accounting requirements (01-727 5120)

City Conference Centre City Conference Centre Annual Airfinance Conference (0376 62262)

May to Plaza Hotel, New York City

March 25
Marketing Conferences: How to stay in business when the Financial Services Bill hecomes law—Survival '86 (01-434 3711)
Strand Theatre

G0376 82202;
Plaza Hotel, New York City April 22-23
FT Conferences: The prospects for tourism in Britain (01-621 1355)
Hotel Inter-Continental WI April 7-8 Hotel Inter-Continental W1
FT Conferences: Technology and the New Securities Markets (01-621 1355)
Hotel Inter-Continental W1
April 23
Institute of Directors: Coping with success (01-839 1233) with success (01-839 1233)
116 Pall Mall, SW1

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

The state of the s

(TVO Power Company) U.S.\$100,000,000

Floating Rate Notes due 2004

Agent Bank

DANSK DLIE & NATURGAS A/S US\$100,000,000 GUARANTEED FLOATING RATE NOTES DUE APRIL 1999

PLUATING RATE NOTES
DUE APRIL 1999
In accordance with the previsions of the
Notes, notice is hereby given, that in respect of
the Interest Period from Jacuery 3, 1996 as
April 3, 1996, the Timeser Period of the intel for
the final Interest Sub-period from March 10,
1996 to April 9, 1996 that before destroying at
794% per outset and the account of interest
activated is USSS-13 per USS0-100 nominal
amount for this Sub-period USS73.33 per
USS10,000 has been accrued from the first
Interest Sub-period and USS0-35 has been
accrued from the excent interest spelms Coupon
No. 8 or per USS10,000 nominal account of
Registarde Modes in respect of the sub-period
Registarde Modes in respect of the sub-period
April 3, 1986.

This week's business in Parliament

Comments: Obests on a motion taking nots of the 1986 Farm Price Proposals and the proposed Milk Outgoem Schame, Debate on a motion on the occord report of the Privileges Committee. Seasing 1984-55.

Lorde: Museuro of London Gill, Report. Education Bill, Second Reading. Unaturation Bill, Second Reading. Unaturated Question on government estion to improve counselling services for young people in order to combat abortions for teenagem.

Select Committees: Education, Relence and Arts—Subject: Achievement in primary achools. Witness: The Catholic Education (Room 21, 10.30 sm). Environment—Subject: Plehning. Witness: Mr G. Eym QC (Room 20, 4.30 pm). Treasury and Civil Services of a rudonta in further and higher education." Oebsts on a motion to

Select Committees: Education, Science and the Arts—Subject: Achievement in printery schools. Witness: the Geographical Association, (Room 21, 3.30 pm). Environment—Subject: Pleinning. Vitness: M? G. Eym QC (Room 20, 4.30 pm). Trasavry and Civil Services Committee—Subject: Long-term trands in resources and public spending. Witnesses: OHSS officials (Room 15, 4.48 pm). Public Accounts—Subject: Long-term trands in resources and public spending. Witnesses: OHSS officials (Room 15, Lords: Short debate on the legal status of nuclear wer. Short debate on plans to committee of the printer and manpower; Incorporation of Maysi Ordanics Fac. Consultudens Commission to Examino Vice-Admirel Sir Anthony Tippet. Ministry of Defence (Room 16, 5 pm).

TOMORROW

Commons: Opposition Day: dobots until about 7 pm antition of commons: Opposition and higher ducation." Oebsta on a motion to establish and a service strain debate on plans to establish an international Stranding Vice-Admirel Sir Anthony Tippet. Ministry of Defence (Room 16, 5 pm).

TOMORROW

Commons: Opposition Day: dobots until about 7 pm antitiod "Support of a students on a motion to establish and international Stranding Vice-Admirel Sir Anthony Tippet. Subject: Overseas Devalopment Administration Bilatem Country programmes. Witness: Right Country programmes. Witness: Right Ministry programmes. Witness: Right Ministry programmes. April 19, 10, 30 am]. Welsh Affeirs—Subject: Debit on motion to take and the programment of the programment of the programment of the programment and progr

Zoncas. Witness: Mr. Heiser, Permenent Sacrotary, Environment Deptrement (Room 16, 4.15 pm). Social Services—Subject: Prison Medical Services.—Subject: Prison Medical Services. Witnesses: Institution of Professional Civil Servants: Association of Members of Boards of Visitors (Room 21, 4.15 pm). Environment—Subject: Planning. Witness: Lord Elton. Environment Minister (Room 20, 4.30 pm). Timds and Industry—Subject: The tin crists. Witness: OTI officials (Room 20, 4.45 pm). Committee on a private Bill—Falleslowo Occk and Rellway Gloom S, 2 pm).

THURSDAY

Commons: Proceedings on the Consolidated Fund Aill.
Lords: Local Government Aill. Report.
Land Registration Aill. Second Reading.
Select Committee: Agriculture—Sublect: The effect of posticides on human
health. Witnesses: NFU. Agricultural
and Allind Workers National Trade health. Witnessee: NPU. Ag and Alifed Workers Nations Group (Room 18, 10.45 am).

FRIDAY ons: Private Members' Motions

## Notice of Annual General Meeting of Shareholders

## B∞B LIQUIBAER

## Julius Baer U.S. Dollar Fund Limited (A company incorporated in the Cayman Islands with limited liability)

NOTICE IS HEREBY GIVEN of the Annual A shareholder holding bearer shares is entitled General Meeting for the year 1986 to be held at to attend and vote. Exercise of these rights in Julius Baer Bank and Trust Company Ltd., Butterfield House, Grand Cayman, on the 2nd day of April 1986 at 11 a.m. for the following

1. To receive and consider and, if thought fit, adopt the accounts presented by the Directors for the year ended 31st December, 1985 and the reports of the Directors and Auditors.

2. To ratify the acts of Directors.

3. To appoint Auditors and authorize the Directors to fix the Auditors' remuneration. 4. To elect Mr. Roger D. Young, Chief Executive and Senior Vice President of Bank Julius Baer & Co. Ltd., Londoo Branch, as a Director

By order of the Board Liquibaer Julius Baer U.S. Dollar Fund Limited, P.O. Box 1100, Grand Cayman, Cayman Islands. A shareholder holding registered shares is en-

titled 10 attend, vote and appoint one or more provies to attend and vote instead of him.

A proxy need not be a shareholder of the com-

Bank Julius Baer & Co. Ltd.

in place of Mr. Fernand P. Koch.

on presentation at the meeting of the bearer on presentation at the free of the holding. Such evidence may be obtained by depositing the certificate with one of the Agents listed below against written receipt, which must be produced at the meeting. Copies of the Annual Report including Audited Accounts are available for inspection and may be obtained at the registered office of the

Company and from the Agents listed below. There are no service contracts in existence between the Company and any of its Directors and none are proposed.

respect of bearer shares will be recognized only

Participating shares are listed on the London Stock Exchange and particulars of the Com-pany are available in the Ettel Statistical Ser-

Secretary and Registrat: Julius Baer Bank and Trust Company Ltd. Butterfield House P.O. Box 1100, Grand Cayman

Rank Julius Baer & Co. Ltd.

Bevis Marks House, Bevis Marks London EC3A 7NE United Kingdom First Austrian Bank Graben 21, A-1011 Vienna



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# Water pipe

Contracts worth £3.1m have been awarded to SHANKS & McEWAN (CONTRACTORS) of Glasgow. They include a £1.4m contract for the replacement of contract for the replacement of four kilometres of concrete pipe-line for the Anglian Water Authority. The pipeline has a diameter of 1,600 mm and incorporates valves and chambers. It will link Salcey Reservoir with Deanshanger. Other contracts include: a factory for Blandburgh and Nemo at Corby, 10 factories in Redear for Langbangh Borough Council, refurbishment at Barlinnie Prison, Glasgow, and at Irvine New Town, civil engineering work for Sir Robert McAlpine & Sons at St Enoch Sq. Glasgow. Sq. Glasgow.

JOHN WILLMOTT CONSTRUC-JOHN WILLMOTT CONSTRUC-TION has been awarded a con-tract worth about £1.7m by J. Sainsbury for building a Homebeae Store at Station Rd, New Southgate, N11. A. E. Symes, a subsidiary of the John Wilmott Building Group, has a £1.5m contract from British Tele-communications for a central warebouse, two-storey office and external parking, of Cody Rd, £16. E16.

Four contracts, together worth nearly £2.5m, bave been owarded to THE BRIGHTSIDE MECHANICAL AND ELECTRICAL SERVICES GROUP, an MECHANICAL AND ELECTRICAL SERVICES GROUP, an environmental engineering subsidiary of George Wimpey. Largest is o film contract for Crest Hotels, for all mechanical and electrical services for the new Crest. Hotel at York. Work also includes installotion of television and video units in the 127 bedrooms and three conference rooms and is due for completion by mid-1986. Two contracts totalling film bave been awarded by the Northern Health Authorities. They include mechanical work to both the HSDU and new kitchen extension at Fairfield Hospital, Bury, and alterations and extensions in upgrading the boilerhouse at Winterton Hospital, Sedgefield. Co Durham, Both contracts are due to be completed by early 1987. Walton Prison at Liverpool requires refurbishment to "I" wing a contract, worth about 1936,000 to Brighishde. The ungrading of heating and water services is to be carried out by Angust.

## CONSTRUCTION CONTRACTS

## Bolton market development

Wimpey Construction Man-agement has been awarded a management contract valued at £22m by Grosvenor Developments, for the development of The Market Place, Bolton. The contract is due for completion in spring 1988. The new shopping centre will have 30 shops totalling 12,000 sq metres arranged on two levels on either side of a shop-

ping mall and built over a basement service area. There will also be a three-level, 720space car park, and pedestrian walkways will link the scheme to the existing shopping area in Deansgate and Corporation Street. The new will thus take shape alongside the old and familiar, for Bol-ton's mid-nineteenth century

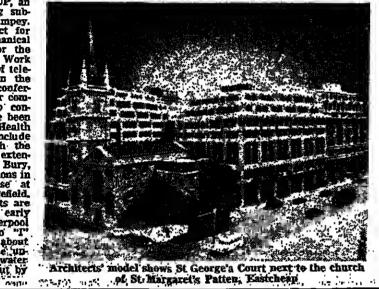
## replacement Gas and water mains

EDWARD THOMPSON has seemed the following contracts totalling some £5.7m for civil engineering work: Britisb Gas East Midlands has placed an order for the laying of gas mains and gas services with other ancillary works in two zones centred on the cities of Derby and Nottingham. The contract, commencing in the spring and lasting for two years, will be of an approximate value approaching £4m and be controlled from the head office of Derby and sciooffice at Nottingham. The Anglian Water Authority, Oundle Division, Northamptonshire, has accepted o tender of £400,000 for the laying of sewers in the Hucknall area of Nottinghom; the contract period is for three private of the laying of sewers in the l

## Eastcheap office block

An £8.9m contract for a prestige City office block, to be known as St George's Conrt. in Eastcheap, has been won by John Mowlem and Company. The huilding will have pany. The huilding will have about 80,000 sq ft of lettable floor area. The work is being undertaken for a development partnership of London & Edinburgh Trust, Balfour Beatty Properties, Guinness Peat Properties and Berisford Properties. The new building, which will have basement, ground and eight upper floors,

will be of reinforced concrete frame on pad foundations. The front elevation is to be clad in Brazilian granite, the rear elevations in reconstituted stone. There will be a central courtyard with a fountain. Windows will have hronze-coloured frames with tinted glass and there will be window-cleaning cradles operating from two levels. Part of the basement will be a car park, with entrance from a lift in a service yard. Work has started for completion in early large 1027. tion in early June 1987.



Market Hall, a Grade II listed huilding, is to be refurbished as an integral part of the development. The refurbished market hall will provide some 200 stalls and shops with an area of obout 6,500 sq meires, and will be linked by a covered elimate-controlled mall to the department store at the to the department store at the end of the scheme to be occu-pled by Debenhams.

#### Civic centre in Taunton

JOHN LAING CONSTRUCTION JOHN LAING CONSTRUCTION has started work on a £3.4m civic centre for the Taunton Deane Borough Council. This design and build contract involves construction of a civic centre. The building will be a two- and three-storey structure of traditional construction with faced brickwork and pitched and tiled roofs. Laing will fit out the offices and a civic suite, computer room and emergency beodroom and emergency beod-quarters. Iocluded is the pro-vision of 300 car parking spaces, landscaping, service roads and drainage. After the contract is

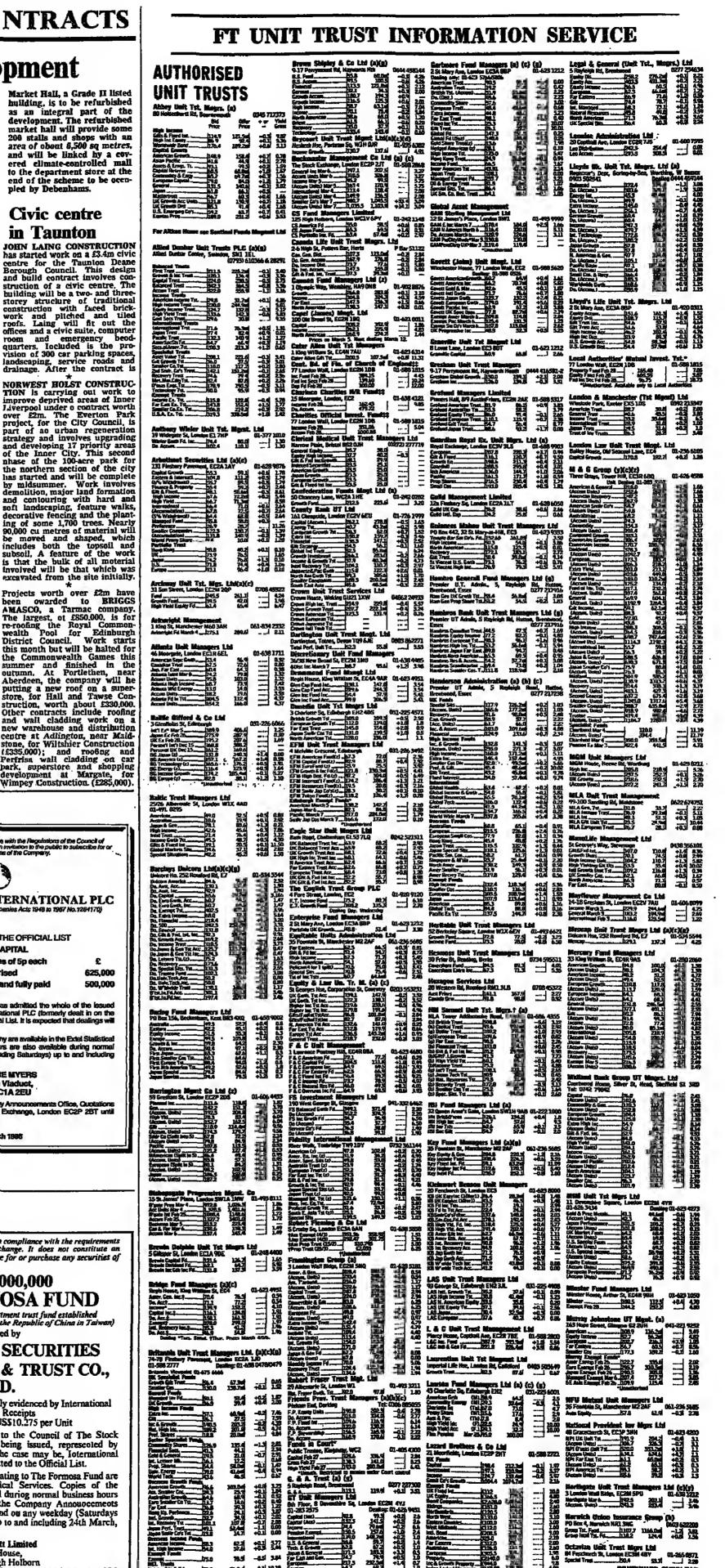
NORWEST HOLST CONSTRUC-TION is carrying out work to improve deprived areas of Inner improve deprived areas of Inner Liverpool under o contract worth over £2m. The Everton Park project, for the City Council, is part of ao urban regeneration strategy and involves upgrading and developing 17 priority areas of the Inner City. This second nhase of the 100-acre park for the northern section of the city has started and will be complete by midsummer. Work involves demolition, major land formation and contouring with hard and soft landscaping, feature walks, decorative fencing and the planting of some 1,700 trees. Nearly 90,000 cu metres of material will be moved and shaped, which includes both the topsoil and subsoil, A feature of the work is that the bulk of all moterial throlved will be that which was excavated from the site initially. excavated from the site initially.

Projects worth over £2m have been owarded to BRIGGS AMASCO, a Tarmac company. The largest, of £850.000, is for re-roofing the Royal Commonwealth Pool for Edinburgh District Council. Work starts this month but will be halted for the Commonwealth Games this summer and finished in the outumn. At Portlethen, near Aberdeen, the company will he putting a new roof on a superputting a new roof on a super-store, for Hall and Tawse Constore, for Hall and Tawse Con-struction, worth about £330,000. Other contracts include roofing and wall cladding work on a new warehouse and distribution centre at Adlington, near Maid-stone, for Wiltshier Construction (£335,000); and roofing and Perfrisa wall cladding on car park, superstore and shopping development at Margate, for Wimpey Construction (£285,000).

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625,000

500,000



## THE FINANCIAL TIMES

is proposing to publish a Survey on -GHANA

on Monday May 19 1986 Advertising copy date for this Survey is Monday April 21 1986

For further information please contact: Hugh Sutton, Area Manager - Africa Financial Times, Bracken House 10 Cannon Street, London EC4P 4BY Tel: 01-248 8000 ext. 3238 Telex: 885033

F.T. CROSSWORD PUZZLE No. 5,968

ACROSS

1 Solicits places for petrol with 4 (6)
4 See 1 ac., 1d., 13, 14 18, 22, 27, 28, 29, and 31 (past?) (8)
9 Motive connected with a Society performing . . . (6)
10 . . acts with dirt being thrown to harass (8)
12 Fumigated religiously and made angry (8)

made angry (8)

13 Handle pointer with 4 (6)

15 Person silly to continue (4)

16 PCs lied unexpectedly al-

16 PCs lied unexpectedly although united (7)
20 Imagined malice could he a this with 4 (7)
21 The part of fakir on stage is stem (4) stero (4)

25 15 shows it taking girl round North America (6) 26 Had teeth flashed when he

woods with 4 (8)

29 Fugitive's omen with 4 (6)

30 Did sarge, turning nasty, deprive of rank? (8)

31 Pollow secretly to presage

24 Not quite 20, bowever (6)

25 Be at the top of hrow with 4 (4) with 4 (6)

with 4 (8)

2 Action when going to sea—

at University a source of stability (2-6) 3 Writer misses gold at

3 Writer misses gold at
American city — it's unpleasant (6)
5 Take drink (strong) from
case to get a mixture (4)
6 Need in variety round the
end is imposed (8)
7 Fruit of the family (6)
8 Secure hy force former
rising—top of tumulus (6)
11 Clue, we hear, to sullen
action is warning to trespasser (4, 3)

North America (6)

26 Had teeth flashed when he was in office? (3, 5)

28 Alien American patroller in 22 Completed circuit—deprived right to redeem with 4 (6)
23 Painter almost seen on the
way in (6)

DOWN

I Bearing front part of coach with 4 (8)

The solution to last Saturday's prize puzzle will be published with names of winners next

sement is issued in compliance with the Regulations of the Council of large. It does not constitute an invitation to the public to subscribe for or purchase any securities of the Company. THE BODY SHOP INTERNATIONAL PLC

INTRODUCTION TO THE OFFICIAL LIST

SHARE CAPITAL Ordinary shares of 5p each Number 12,500,000 Authorised 10,000,000 issued allotted and fully paid

The Council of The Stock Exchange has admitted the whole of the issued share capital of The Body Shop International PLC (formerly dealt in on the Unlisted Securities Merket) to the Official List. It is expected that dealings will commence on 10th Merch, 1986. Listing particulars relating to the Company are available in the Extel Statistical Services and copies of such particulars are also available during normal business hours on any weekday (excluding Saturdays) up to and including 24th March, 1986 from

CAPEL-CURE MYERS 65 Holbom Vladuct, London EC1A 2EU

and are also available from the Company Announcements Office, Quotations Department, P.O. Box 119, The Stock Exchange, London EC2P 25T until 12th March, 1986.

10th March 1986

This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange. It does not constitute an invitation to any person to subscribe for or purchase any securities of The Formosa Fund.

### US\$ 25,000,000 THE FORMOSA FUND

(a contractual securities investment trust fund established under and governed by the laws of the Republic of China in Taiwan) managed by

## **KWANG HUA SECURITIES INVESTMENT & TRUST CO.,**

Issue of 2,500,000 Units initially evidenced by International Depositary Receipts at an issue price of US\$10.275 per Unit

Application will be made to the Council of The Stock Exchange for the Units now being issued, represented by Beneficiary Certificates or, as the case may be, International Depositary Receipts, to be admitted to the Official List.

Copies of the particulars relating to The Formosa Fund are available in the Extel Statistical Services. Copies of the particulars may also be obtained during normal business hours until 12th March, 1986 from the Company Announcements Office of The Stock Exchange and ou any weekday (Saturdays and public holidays excepted) up to and including 24th March,

**Hoare Govett Limited** Heron House, 319/325 High Holborn London WCIV 7PB 10th March, 1986

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LONDON SHARE SERVICE Financial Times Monday March 10 1986 INOUSTRIALS—Continued 28

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	Financial Times Monday March 10 1986  [NOUSTRIALS—Continued   LEISURE—Continued	PROPERTY—Continued	INVESTMENT TRUSTS—Cont.	29   FINANCE, LAND—Cont.   MINES—Continued
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	17   17   17   18   18   18   18   18	Jan.   Add   Courtnels   254   2511   75.0   4.0   228   96	December   Do. San. Str. Ft.   259   26.3   2427-11   1.0   1.9	August   Sourcist   Del   1.5   1.7   2.9   2.9   1.5   1.5   1.7   2.9   2.9   2.5   2.9   2.5   2.9   2.5   2.
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·	Jan	July         Parima Group         37         16,9         12.0         7.7           Jan         Jair/Phatherells         135         231         733         2.9         351,43           Jan         Janet Parkson' A         113         9,12         4.8         2.6         6,07(7.1)           Dec         July fibrakion 50         38         531         9,15         5,5         6,0         6,9           May         Feb. Richards 10p         52         27.1         1,6         1,7         4,8         2,6         6,0         4,9           May         Co. SETT 20p         136         27.1         45,1         4,5         5,1         5,9         6,0         7,1         4,0         2,6         6,0         7,1         4,0         2,6         2,7         1,0         1,0         2,0	Second Market Inv. 5p.   134   50.02   0.2     Dec Jame Securities Tot Scot.   159 (2.10   4.8   0.10     Jan Apt Jy Ocisitines Inv. 50p.   159 (2.10   4.8   1.3   0.15     Sepi Mark Do. I lar Corle 2 0004-1     Jan Apt Smaller Cos Inv Vst   75 (2.11   1.7   0.12     Jan Apt Smaller Cos Inv Vst   75 (2.11   1.7   0.12     Jan Apt Smaller Cos Inv Vst   75 (2.11   1.7   0.12     Jan Apt Smaller Cos Inv Vst   150 (1.5   0.15   0.15     For Stockholicers (or see Govert Advantic Inst.   183   1.5     Jan Apt Jy Rastraka Inst.   183   2.5   1.3   3.7     Jan Apt Jy Rastraka Inst.   183   2.5   1.3   3.7     Jan Apt Jy Rastraka Inst.   183   1.5   1.5   1.5   1.5     Jan Apt Jy Charles Inst.   183   1.5   1.5   1.5     Jan Apt Jy Charles Inst.   183   1.5   1.5   1.5     Jan Apt Jy Charles Inst.   183   1.5   1.5   1.5     Jan Apt Jy Charles Inst.   183   1.5   1.5   1.5     Jan Apt Jy Charles Inst.   183   1.5     Jan Apt Jy Charles Ins	Oct. Aprillorens 200m24.2 12.0 1.6 6.132.5 yearly figures. P.Es are calculated on "net" distribution basis, earnings per Starte Being comparted on profit after taxation and sorrelieved ACT where Aug Jan(Deess Wisss. 200 54 25 7.8(5.7) applicable: brackets figures indicate 10 per cent on more difference if Aug Comparted for profit after taxation and sorrelieved ACT where Aug Jan(Deess Wisss. 200 54 25 7.8(5.7) applicable: brackets figures indicate 10 per cent of new difference if Aug Comparted for profit after taxation and sorrelieved ACT where Aug Jan(Deess Wisss. 200 55 25 25 7.8(5.7) applicable: brackets figures indicated on "net" distribution basis, earnings per Starte Being comparted on profit after taxation and sorrelieved ACT where Aug Jan(Deess Wisss. 200 55 25 25 7.8(5.7) applicable: brackets figures. P.Es are calculated on "net" distribution basis, earnings per Starte Being comparted on profit after taxation and sorrelieved ACT where Aug Jan(Deess Wisss. 200 5 25 25 7.8(5.7) applicable: brackets figures. P.Es are calculated on "net" distribution basis, earnings per Starte Being comparted on profit after taxation and sorrelieved ACT where Aug Jan(Deess Wisss. 200 5 25 25 7.8(5.7) applicable: brackets figures. P.Es are calculated on "net" distribution basis, earnings per Starte Being comparted on profit after taxation and sorrelieved ACT where Aug Jan(Deess Wisss. 200 5 25 25 25 25 25 25 25 25 25 25 25 25 2
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	Actions   Construction   Construct		Aug. Mar Winterholton 50	Teast   Teas
	September   Col. Lumber   United 200   363   16.9   13 D   23   5 4   12   12   12   12   12   12   12	Aug. Fell-lärchmeetels Inc. 322 15.7 6.2 ♦ 2.8 48.8 Fell-lärchmeetels Inc. 113 23.2 10.15 10.12 3 10.15 10.	Feb. July Accept Sentiners	MINES  MINES  MINES  Kernya, B. inferrint begind ruck previous principles scale pending, a Earning based on previous principles. Shutered angle piet graculate a special payment. It indicated dividend: cover relates to previous dividend, PE ratio cosed on latest armsal pratings, in Proceedings, or extraogled annualised dividend cover on latest armsal pratings, in Proceeding annualised dividend cover on latest armsal pratings, in Proceeding annualised dividend cover in encose of 100 times, y Dividend and yield based on merger terms. 2 Dividend and yield springer. Cover does not apply to special payment. Cover does not apply to special payment, and apply to special payment, and apply to special payment. A Red dividend and yield based on proceedings. A Red dividend and yield based on proceedings.
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## New president at Benguet.

BENGUET CORPORATION, the Philippines' second largest mining company with annual mining company with annual revenues in excess of \$130m, is now headed by a Harvard-trained executive, Mr Delfin Lazaro who has taken over as president and chief executive officer.

officer.
Mr Lazaro, 40, replaces Mr
Jaime Ongpin, who has joined
the cahinet of the newlyinstalled president, Corazon
Aquino as Finance Minister.
Uotil his election as company
president, Mr Lazaro was Benguet corporation executive vice
president for finance and at the
same time president of the sub-

president for manice and at the same time president of the sub-sidiary, Benguet Management Corporation.

Mr Lazaro was also elected last week chairman of another Benguet subsidiary, Engineering Equipment, a major contrac-tor, with extensive projects in

tor, with extensive project the Middle East.

A graduate of metallurgical enginering at the University of the Philippines, he joined Benguet in 1975, rising to executive vice

Restructuring

sweep at GTE

necticut-based telecommunica-

operating group, takes over the

Sprint, Telenet, Communication

Systems, Consumer Communica-tions Products, Spacenet, GTE

Labs, Government Systems, and Precision Materials and Light-

takes broad

By Our Financial Staff

chief operating officer.



Mr Jaime Ongpin (left), now In the Philippines Cabinet, has stepped down at Benguet; Mr Delfin Lazaro steps np

After graduation, he joined the University of The Philippines enginering faculty as instructor for two years, and then moved to Harvard Graduate School in the US, to take a masters degree in business administration, which he com-

## **New system for Emhart**

EMHART CORPORATION, the Peter Scott finance and diversified industrial multi-national with beadquarters in Connecticut, has established an office of the chairman, made up of Mr Peter L. Scott, the chair-man and chief executive, Mr GTE CORPORATION, the Con-William C. Lichtenfels, president and chief operating officer, and Mr Stephen J. Ruffi, vice tions concern, has elected Mr James L. Johnson president and chairman and chief administra-Mr Johnson, previously cor-porate senior vice president and tive officer.

president of GTE's telephone THE TIMKEN COMPANY, the posts resigned by Mr Thomas Vanderslice in December 1983. GTE is at the same time con-US-based maker of tapered bearings, has announced its management structure for the recently established Europe, solidating its businesses into two major operating groups, Africa and west Asia region, Mr Allan L. Rayfield will which covers husinesses in the UK, France, West Germany continue as a corporate senior vice president and has been elected president of the operat-ing group which includes the

personnel.

Other functions, such as manufacturing, human resources, finance and logistics, continue to be the prime responsibility of the four divisions involved and of their managing directors — British Timken under Mr Neil Siebenhar, Timken France under Mr Lucien Damhrin, Timken France under Mr Lucien Damhrin, Timken Europa GmhH under Mr Gerhard Rekter, and Timken South Africa under Mr Kendall Brooke.

MR THOMAS M. WALKER has been appointed corporate direc-tor, financial administration, at Sterling Drug, the New York-hased pharmaceuticals company and South Africa.

Mr David Hoecker takes

charge of technology; Mr Klaus

Schulze marketing; and Mr

and the maker of Bayer aspirin.

He takes responsibility for investor relations and internal audit.

## Mitsubishi presidency to change

MR YOHEI MIMURA, president of missibishi Corporation, the largest of Japan's trading president of the other operating group, which consists of the 18 GTE telephone operating companies and related businesses, including GTE Mobilenet, GTE Directories, Data Services, GTE Telecom and GTE Telemessager.

MR YOHEI MIMURA, president of two-year term," says Mr Mimura, who is 68 and has been mission to retire from the post at its term of office expires, reports Kyodo from Tokyo.

"It is my company's custom for the president to leave the post after completing his third in charge of a US'subsidiary.

## **BMW** sales director to quit

By John Griffiths

BMW'S SALES and marketing director Mr Eberhard von Mg director Mr Ebernary von Koerber, is to leave the Munich-based car company at the end of this month. Its management board chairmen, Mr Eberhard von Knenheim, is temporarily to take over von Keerber's responsi-

BMW, announcing his departure at the weekend, described it as hy "friendly agreement," desplie its short time-scale.

Mr von Roerber, 57, who has been with BMW for 14 years, was appointed to his present post in March 1984. He was also made a deputy member of the management

It is usual for a deputy to be made up to a full board member in the January following his appointment.
This did not happen in Mr

von Koerber's case in January, 1985 — nor at the start of this

Bot BMW last month did appoint to the board Mr Wolfgang Reitzle, who at 36 has become one of the youngest men to bold such a senior position in the West German industry.

Early in 1985, BMW's sales in West Germany took a sharp, albeit temporary dip, after ten years of virtually continuous growth. The 34 per cent drop in its first quarter sales was reflected, but to a lesser extent, in other markets - an experience not shared by BMW's arch-rival,

Mercedes. Since then, BMW has regained ground, but it ended last year with West German sales still 8 per cent down, and its market share redoced from 6.8 to 6.2 per cent.

In contrast, Mercedes raised its home market sales by 18 per cent and its market share from 9.8 to 11.6 per

Mr von Kuenheim recently has been stressing that BMW would be seeking to give new impetus to research, innovation and marketing by the company.

Perkins president

North America MR ROGER L. HOWSMON has been appointed president of Perkins Engines Inc, the supplier of diesel engines in the US and Canada and part of the Perkins Engines group of the UK.

FINANCIAL TIMES CONFERENCES

## THE FOURTH **MANUFACTURING AUTOMATION FORUM**

London, 14 & 15 April, 1986

The Financial Times Manufacturing Automation Forum is being arranged in London on 14 & 15 April, 1986 for the fourth time, though with a new format. The first day is to be devoted to a high-level review of the problems and challenges facing senior management in justifying the implementation of automation. The forum has been developed from the previous 1985 meeting when many questions were raised by participants on the problems of finding a new approach to investment analysis and financial investment justification. The management implications of the new engineering materials provides the subject of the associated seminar on the second day. Some of the issues to be addressed:

#### Justifying Automation

Is it a necessity today or a luxury for tomorrow? Why not wait until the technology is mature? Can manufacturing be a competitive weapon? Professor Gordon M Edge **PATechnology** 

FINANCIAL INVESTMENT JUSTIFICATION Automation systems are expensive and normally cannot meet traditional investment payback criteria. Are there other ways to account for automation? What is the worth of better products, more reliable delivery? How do you evaluate a strategic asset? Mr James A Brimson CAM-I

Mr John Towers Perkins Engines Limited

THE TECHNOLOGICAL RISK How can automation programmes be controlled? What if the software does not work? What if development falls behind schedule? The value of simulation systems. Mr John A Collins, OBE TI Domestic Appliances Limited

#### The Management Implications of the New Engineering Materials

A REVIEW OF THE NEW ENGINEERING MATERIALS AND THEIR TECHNOLOGICAL POTENTIAL Mr Eric M Briscoe Fairey Tecramics Limited

INTRODUCING NEW MATERIALS TO SENIOR ENGINEERS Dr A Kelly University of Surrey

THE DESIGN CHALLENGE INHERENT IN **NEW MATERIALS** Dr. Donald A Bell Department of Trade & Industry

THE MANAGEMENT OF THE MANUFACTURING PROCESS USING **NEW MATERIALS Professor Peter Hancock** Cranfield Institute of Technology

#### THE FOURTH MANUFACTURING **AUTOMATION FORUM**

☐ Please sand me further details of 'THE FOURTH MANUFACTURING AUTOMATION CONFERENCE'



A FINANCIAL TIMES CONFERENCE in association with AUTOMATED FACTORY ورخوي بسير يهام يبتن مسر يسم بسيد ببنيت النبية المبارك سيا المبارك والمارك المبارك الم

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To: Financial Times Conference Organisation Minster House, Arthur Street, London EC4R 9AX Tel: 01-621 1355 Tb:: 27347 FTCONF G

## **Contracts and Tenders**

The price for the supply and transportation costs of the

Notices of invitation to tender together with tendering forms may also be obtained from the above address.

INTERVENTION BOARD FOR AGRICULTURAL PRODUCE

Tenders are invited for the urgent supply of 8000 tonnes of soft wheat to Ethiopia for delivery on FOB stowed and trimmed terms to an EEC port Loading shall commence no earlier than 7 April 1986 and no later than 21 April 1986

## INVITATION TO TENDER

oft wheat for the supply and transportation costs of the soft wheat for the above tenders will be determined on examination of the tender which must be submitted by noon on 20 March 1986. To Branch B (Cereals), Internal Market Div., Intervention Board for Agricultural Produce, Fountain House, 2 Queen's Walk, Reading, Berks RG1 7QW. Tel: Reading (0734) 583626 Ext. 368.

## Company Notices

#### ANGLO AMERICAN INDUSTRIAL CORPORATION LIMITED corporated in the Republic of South Afr Company Registration No. 63/05282/08

5.625 PER CENT CUMULATIVE FIRST PREFERENCE SHARES OF R2 EACH

NOTICE IS HEREBY GIVEN that dividend No. 9 in respect of the above-loved preference shares for the half-year ending Marce 51 1988 has been red payable to the holders thereof registered le the books of the corporation is close of business on March 27 1988; as the corporation for the corporation of 28.5.88 to /5.4.85 1.4.85 28.5.88 to 15.4.85 1.4.88 1.5.85 2.4.4.00 ridends are payable subject to conditions which can be inspected is no London offices of the corporation and also at the office foreign of the corporation and also at the office foreign of the corporation will recolve the red shareholders baid from the Uelted Kingdom will recolve the requirement of the rand value of their dividends liess appropriate may elect to be paid in South African currency; provided, nowever, as received at the offices of the corporation's Uelted Kings secretaries on or before March 27 1365.

ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITEO ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITEO

March 10 1986.

gge NOTICE TO HOLDERS OF

EUROPEAN DEPOSITARY RECEIPTS (EDRs) IN STAR MICRONICS CO., LTD. STAR FILERUPALS CO., LIEU.

co of August 21, 1988 EOR holders are informed that Star a dividend co. holders of record August 31, 1986. The cash yen 25 per Common Stock of Yen So.00 per share. Parasant conditions the Depositiny has converted the net amount, after se withholding taxes, into United States Dollars.

pow present Coupon No. 8 for payment to the undermentioned

Clubs

Art Galleries

EROWSE & DARBY. 01-734 7984. THOMAS NEWBOLY paintings.

٠. Transinsular

Capital stock is of Esc 1,000,000, decree law Nr 336/84 of 18th October

We are a shipping company assuring domestic liner trade and general cargo between mainland and Azores and Madeira Islands. In due time European shippards have already been invited to send us hids for building two multipurpose vessels for the containerised regular trade with aforesaid ports.

Besides that, we are now looking for to complement such quotations already received the following: 1. Entity that assures complete financing of the vessels to be

1. Enlity that assures complete linancing of the vessels to be built up. The financing period should be about two years of grace and eight and a half years of reimbursement.

2. Ecutive that assures, during the building period and up to the delivery date of the two vessels, the exploitation of another two vessels with the characteristics stated on item 4 and under bareboat system (Portuguese crew).

3. Bids accomplishing requests on items I and 2, will be preferentially selected to those considering only financing or bareload charged and accomplishing the control of t pareboat chartered vessels. TYPE — Multipurpose boxshape.

LOA — Between 100 and 110 metres.

CRANES — Minimum 2 cranes with combined mini-

mum capacity of 30 tons each.
HOLDS — 2.
CARGO CAPACITY — 200/220 containers of 20' × 20 tons (Dwcc-4,500 tons maximum). REEFER PLUGS — Minimum 30. AIR CHANGES — 30 per hour.

SPEED — 13 knots.

CONSUMPTION — Minimum IFO 60/80.

5. Replies should be sent, in a closed envelope up to 20th March, to the following address (bead office):

Av. Santos Dumont, 57-81b Floor Apartado 5300-1707 LISBOA, CODEX, PORTUGAL

## Company Notices

NOTICE TO HOLDERS OF OPTEC DAI-ICHI DENCO CO., LTD.

04 PER CENT GUARANTEED NOTES DUE 1990 WITH WARRANTS TO SUBSCRIBE POR SMARES OF COMMMON STOCK 34 PER CENT CONVERTIBLE BONDS DUE 1999 Persuant to Clause 4(A) and (3) of the Instrument and Condition 7 of the Tarms and Conditions of the Warrants dated as of 4th March. 1985 ander which the abong Warrants werp Essed. notice is furnesy Given

OPTEC OAT-ICHI DENKO CO., LTD. By: The Mitsubish Bank, Limited London Branch As Principal Paying Agest Dated: 10th March, 1986.

U\$\$300,000,000

CAISSE NATIONALE

DES TELECOMMUNICATIONS

Floating Rate Notes due 2000

London Strand,
As Principal Paying Agent,
Dated: 10th March, 1986. NOTICE OF RECORD DATE

OPTEC OALICHI DENKO CO., LTD.

Notice le hereby given that the next interest period chosen by Ceiase Notionals Des Talecammunications is one month, beginning March 13 1988. The Flecal Ageet Bonoue Nationals Os Pane

NOTICE IS HERESY GIVEN that March 21, 1956 has been exad as the record date for the determination of the holders of Common Shares. 7.85% Pretered Shares Series B and the 10% Cumulalive Redeemable Commodity-Indeed Prefered Shares Series C, who are entitled to notice of the Annual Meeting of Shares Series. Dated March 10, 1985. S. M. HANO, Secreta

to submit their offers in the form of an exclusive tender. Major requirements of the Tender Specification are as follows: Technical requirements

The competent Hungarian authorities have decided to modernise

Within this framework we intend to invite the manufacturers

1100 kg gas turbine Empty weight of helicopter Engine 160 km/h Working speed Spraying swath 18 m Turning time 10-12 sec Average spraying dose Useful load of chemicals 50 lit/hectare 450-430 kg Average cruise distance 2000 m

the agricultural helicopter fleet of the country.

Performance 105-110 hectares/flight hours Configuration for agricultural purposes with all necessary equipment and

The Tender covers the supply of about 30 units 3 hy June 30, 1986 further 3 by November 30, 1986. The remaining units are to be delivered

by 1990 proportionally.

Any company in teodering has to contact TECHNOMPEX

Hungarian Foreign Trade Cootoany H 1390 Budapest, P.O.B. 183

Telex: 22-4171. Tel: 6361/184-055

Person in charge: Mr Gergely Kovács. The relativa Tender Book is available at Technoimpex office in Budapest. Submission of tender bids: by the end of March 1886.

#### RHONE-POULENC S.A. INTERNATIONAL ISSUE OF FRF 100.000,000 7,50% DUE APRIL 15, 1987

We inform the bondholders that the redemption instalment of FRF 10.000.000.-, nominal due on April 15, 1986 has been satisfied by purchase on the market of FRF 5.400.000.- nominal bonds and by the drawing for redemption of FRF 4.600.000.- nominal on February 25, 1986, in Luxembourg, in the presence of an Huissier.

The bonds will be reimbursed at par on April 15, 1986, coupon due on April 15, 1987 attached, according to the modalities of payment on the bonds.

The numbers of such drawn bonds are as follows:

5301 to 5302	5311 to 5323	5527 to 5556	<i>-5</i> 815
5838 to 5840	5890 to 5901	5906 to 5908	5911
5916	5918 to 5919	5921 to 5923	5926 to 5930
6037	6044 to 6045	6056 to 6059	6096 to 6100
6104 to 6120	6122 to 6137	6201 to 6210	6642 to 6689
6692 10 6693	6698 to 6701	6708 to 6723	6725 to 6756
6765 to 6768	6773 to 6793	6799 to 6803	6817 to 6819
6826 to 6835	6837 to 6841	6886 to 6898	6905 to 6907
6927 to 6933	6936	6943 to 6945	6951 to 6969
6971	6973 w 6978	7001 to 7003	7006 to 7007
7010 to 7026	7028 to 7035	7037 10 7046	7049 to 7112
7114 to 7176	7279 to 7312	7351 to 7356	73.59 to 7370
7386 to 7387	7418 to 7429	7438 to 7570	7581 to 7778
8353	8409 to 8418	8736	9206 to 9215

Amount outstanding after April 15, 1986: FRF 25,000.000 .-

THE PRINCIPAL PAYING AGENT SOCIETE GENERALE ALSACIENNE DE BANQUE

15, Avenue Emile Reuter LUXEMBOURG

»TECHNOIMPEX«

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RESEARCH FUND EATFINDERS—Tickets all "sold out" rents. Inc. Rugby. Covert Garrien, Thoatres, Wimbiedon, Tei: 01-828 1576

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## CURRENCIES, MONEY and CAPITAL MARKETS

#### FOREIGN EXCHANGES

## Fed reacts to economic sloth

Friday's cut in the US Federa Reserve's discount rate by i per cent to 7 per cent came as a surprise to the foreign exchange market, in spite of similar reduc-tions by the Weet German Bundesbank and the Bank of Japan. The US central bank, guided by its conservative chairman Mr Paul Volcker, was expected to wait until there was evidence the dollar had stabilised hefore following Germany and

Domestic factors called for an early cut, but concern about the dollar suggested a more cautious approach. US money supply rose rather more than expected in the last reporting week, with M1 increasing by \$3.7bn, compared with forecasts of around \$2.3bn. This may not have caused too much concern however, since the next figure, to be published this Thursday, is expected to show a

economic figures Receot economic figures indicate very sluggish growth. February retail sales figures are due for publication on Thursday, and are expected to be roughly unchanged, but Friday's producer price index should fall sharply, perhaps by 1.5 per cent, reflecting the fall in nil prices, while the next industrial production figures may show a small

Morgen Guaranty changes: average 1980-1932-100. Bank of England lades

US 1.4370-1.4645 1.4535-1.4545 Canada 2.0424-2.0513 2.0435-2.0485 Nothind 3.654-3.70 3.674-3.684 9491um 66.29-67.02 66.60-66.70

March 7 Carend

CURRENCY MOVEMENTS OTHER CURRENCIES

POUND SPOT-FORWARD AGAINST POUND

FORWARD RATES AGAINST STERLING

EMS EUROPEAN CURRENCY UNIT RATES

ı	£ IN	NEW YOR	K
a e	Close	Mar. 7	Prev. cl
<u>-</u>	£ Spot	S1,4530-1,4540	51.4400

against expectations of a rise of about 0.3 per cent, while tha December figure was revieed to a rise of 1.5 per cent from 0.9 per cent. News that January fac-tory orders rose only 0.4 per cent, compared with a revised 2.2 cent, compared with a revised 2.2 per cent in December, provided further evidence of depressed US growth so far this year. February unemployment figures were rather alarming. The increase to 7.3 per cent from 6.7 per cent was the first since January 1985, and the biggest rise since Moy 1980. Forecasts suggested an unchanged figure, but the White House put a brave face on the situation, saying the rise was partly the result of un-

rise was partly the result of un-usually bad weather, and there was no cause for undue concern.

Arg'tina 1.1708-1.17680.8000-0.8010
Aus'alia 2.0703-2.0765-1.4255-1.4260
Brazil 20.15-20.27 13.77-16.84
Finland 7.4510-8.0960-3.0980
Greece 200.25-204.30|138.20-141.00
H'kong 1.116-11.4840-7.9070-7.2080
Firan 114.85° 80,00°
Kirwalt 10.4140-0.4130-0.28480-0.28480
Lix'burg 66.60-68.70 43.80-45.90
Malayzie 3.6763-3.5966-2.5120-2.5170
N'Z'land 8.7885-2.79851.9165-1.9810
Saudi Ar .6.5415-6.55507.2016-3.6630

to see a decline. very large US tra also because of tations of lower in Another decline value may now be be welcomed as long as the mar-ket remains orderly, but the foreign exchanges are nervous because the point could be near when the central banks, includ-ing the Federal Reserve, say enough is enough. Germany and Japan in particu-

lar may not be bappy to see the dollar fall much further, but financial markets are also nervous, because of suggestions that the fall in world interest rates will

continue.

During 1977-78 the dollar fell from Y280 to a record trading lnw of Y175.50, while the Bank of Japan's discount rate was cut in stages from 6.5 per cent to a record 3.5 per cent. This indicates possible room for another round of interest rate

cuts, but in the background lurke the spectre of a turnround in the oil market. Japan and Gerroughly unchanged, but Friday's producer price index should fall sharply, perhaps by 1.5 per cent, reflecting the fall in nil prices, while the next industrial production figures may show 9 small rise.

Last week saw January leading Last week saw January leading indicators fall 0.6 per cent.

**CURRENCY RATES** 

Canadian S.
Austria Sch.
Belgian Fr.
Danish Kr.
N'mark...
Guilder...
French Fr.

.a.a.	LIFFE-
to correct the ide deficit, but disappointing on, and expecterest rates. in the dollar's eccepted, and ing as the mar-	March June Sept Estimat Previou L1FFE DM 125

ted volume 53 (122) a day's open int. 2.908 (2,946) Close High Low Prev th 0.4487 — 0.4450 -0.4523 0.4522 0.4505 0.4467 lasted volume 10 (161) ous dey's open int. 329 (327) **CHICAGO** 

**CURRENCY FUTURES** 

STERLING £25,000 6 per £

High Low 1.4600 1.4471

Low 93-00 92-06 91-20 91-00 90-30 90-06

LIFFE E/\$ OPTIONS

POUND-\$ (FOREIGN EXCHANGE)

U2 TREASURY BOND2 (CBT) 8% 5100,000 32nds of 100%

Closs 94-29 94-12 93-19 92-29 92-09 91-23 High 95-02 94-72 93-25 93-01 92-12 91-30 90-24 90-09 89-28 US TREASURY BILLS (IMM) \$1m points of 100% High 93.43 93.73 93.67 93.52 93.32 93.18 93.40 93.69 93.93 93.49 92.32 93.14 92.60 92.83

CERT. DEPOSIT (IMM) Stm points of 700%

0.798648 0.662706 1716071 0.960924 1.36779 IMM STERLING Se per High 1.4640 1.4520 1.4300 1.4180 Low 1.4465 7.4310 T.4190 1.4150

DOLLAR SPOT-FORWARD AGAINST DOLLAR

March 7	Day'e epread	Close	One month	p.e.	Three	%. p.e.
UKt	1,4370-1,4645	1,4535-1,4545	0.61-0.58c pm	4.67	1.69-7.64 pm	4.31
Irelandt	1.3455-1.3560	1.3485-1.3515	1,10-0.95c pm	2.12	3.00-2.60 pm	6.31
Canada	1,4050-1,4130	1.4060-1.4070	0.60-0.63c dis		1.40-1.45dis	-4.04
Nethind.	2.5140-2,5360	2.5285-2,5296	0.45-0.43c pm		1,28-1,24 pm	1.93
Belgiure	45.82-45.99	45,80-45.90	15-20c dis	-4.58	28-35 die	-2.76
Oen mark	8,221-8,2914	B.24 - 8.25	4 ore pm-4 dis	-0.78	's pm-4 dis	_
W. Ger.	2.2225-2.2450	2,2360-2,2370	0.60-0.56pf pm		1.77-1.72 pm	3,12
Portugel	7477-14834	147 <sup>1</sup> 148	200-500c dis	-28.43	500-1200ds -	23.01
Spein	740,50-141.70	141 55-741.70	40-70c dis	-4.66	175-215 die	-5.61
Italy	1613-1628	13181 <sub>2*</sub> 15191 <sub>3*</sub>	15-15½ lire dls	-12.10	39-401, dis -	-10.43
Norway	7.09.7.15	7.124-7.124	31-312 ore dis	5.58	914-1014 dis	-5.62
France	5.851-6.901	2 88-5.BB1,	41-45c dis	-7.61	11-11% dis	-6.60
Swaden	7.77-7.25	7.191,-7.20	17-23 ore dis		57-64 dis	-3.36
Jepan	179.00-179.95	179,40-179,50	0.27-0,24y pm		0.91-0.87 pm	
Austria	15.65%-75.76	15,73-15.76	3-1 gra pm		6-3 pm	1.14
Switz	1.8776-1.8990	1,8950-1,8960	0.67-0.62c pm		1.92-1.87 pm	

† UK end trained are quoted in US currency. Forward premiums and discounts apply to the US doller and not to the individual currency. Belgien rate is for convertible francs. Financial tranc 45-20-45-30.

## **EURO-CURRENCY INTEREST RATES**

Mar. 7	Shert term	7 Days notice	Month:	Three Months	2lx Months	One Year
Sterling	13-13 4 759-714 1259-1619 359-554 218-958 412-412 858-858 1619-1714	127g-13 7-16-7-5 127g-161g 61g-55g 81g-23g 414-414 11-12 17-12-19-12	1214-1256 774-775 124-1246 614-556 614-517 414-452 1434-16 1834-1934	1113-1916 776-776 1113-1114 54-514 316-514 436-416 1576-1418 174-18	11/5-11/6 7/5-7/5 10/5-10/6 6/5-3/5 5/6-5/6 4/6-4/2 12-12/4 16/5-16/6	114-115g 71g-75g 107s-107s 57s-57s 45g-41g 104-11 16-165s
B.Fr.(Fin) B.Fr(Con) Yen D. Krone Asian 5 (2ng)	10-101 <sub>4</sub> 103 <sub>4</sub> -111 <sub>4</sub> 6 <sub>16</sub> -6 <sub>78</sub> 81 <sub>2</sub> -9 75 <sub>8</sub> -73 <sub>4</sub>	07g-101g 12:13 8:8/6 8:8-678 75g-754	058-878 1234-1314 518-618 814-814 718-718	958-974 1014-1034 514-568 754-814 714-755	876-918 918-958 639-5-5 754-914 712-759	81g 84g 81g 0 83g 57g 71g 8 71g 71g

## **MONEY MARKETS**

## London cool on rate move

Interest rates fell on the London money market last week, but there was no indication the Bank

authorities would like to see the meeting of Opec ministers next weekend out of the way before assessing the situation, and that reaction to the Budget the following Tuesday would probably decide when and if a reduction in UK rates was sustainable. UK clearing banks base lending rate 12} per cent

±1.5425 ±1.6421 ±1.1465 ±1.2654 ±1.5182 ±1.0773

The pound's vulnerability to oil price movements pointed to continued caution on interest ratee, in spite of rate cuts in several other major world centres.

Market opinion several other major world centres. followed by a reductinn of a per cent to 4 per cent in Japan's discount rate, announced on Friday, with effect from today, and the cut in the US Federal Reserve's discount rate by 1 per cent to 7 per cent. The Dutch central bank fol-

Money market rates discounted a cut of \(\frac{1}{2}\) per cent to 12 per cent in base rates, but the Loncett and the Bank of France

WEEKLY CHANGE IN WORLD INTEREST RATES

	,				
LCNNN	March 7			March 7	chs no
Base rates	121:	Unch' d	Prime rotes	0.	l <sub>s</sub>
7 day interbank 3mth interbank	134	* <del>* *</del> .— <del>*</del>	Federol tunds 3 Mth. Treasury Bille	6.77	_0.47
Treasury Bill Tender Band 1 Bills	! 1.533 <b>e</b> 12 kg		8 Mth. Treasury 811s		-0.41 -0.02
Band 2 Bills	132	Unch' d		1.00	
Band 3 Bills Band 4 Bills	124		FRANKFURT		İ
5 Mth. Treasury Bills	11110		Lombard Inne Mth. Intorbank	4.40	Uneh'( + 0.18
1 Mth. Bank Bills 3 Mth. Bank Bills	12,	-±	Three month	4.328	-0.10
	j <b></b> -	- 10	PARIA		١.
TOKYO Ine month Bills	6.08375	Unch' d	intervention Rate		\վ Unch'(
Three menth Bills	e.90685	Unch' d	Three month		Unch'
ARUSSELS Noe menth	18°,	  +	MILAN Ine month	17-3	
Three month	84	'+ 16	Three month	ie.	+ 10
AMSTEROAM	<u> </u>	!	OUBLIN		,
Inc month Three month	512 '512	—-;i .—.;i		1616 134	! =
					· -•

## MONEY RATES

MOKE SMI	-5					
Mar. 7	Ov'r-nig't	One Month	Two Months	Three 'Menths	Six Months	Lombard In'v'ntion
Frankfurt Parie Zurich Amateidam Tokyo.	814 74-114 57-5-1 5.84375	.3-4,5 8.8 8.4 36e 33. 51:-55a 5.0957e		4.25 4 40 848 834 378 334 8 4 5 8 3.0062e	4,25-4,40 — 5;; 5;8	5.8 8'4 —
Milan, Erussels üublin	175e ! 8 1 9:	754 175, 03, 914 16-161,		16% 16% 9% 9d 15% 16%	_ 13 1312	ļΞ

**NEW YORK** (4 pm)

9-91,

also joined in the move towards lower interest rates, by reducing its money market interven 6.69

tion rate to 8} pec cent from 8} per cent. In Zurich the Swiss National One year ... Bank decided it was not appro-priete in change interest rates, and the Austrian National Bank also decided to leave its discount rate at 4 per cent, to preserve a \$even year ...... strong currency against the D-

BANK OF ENGLAND TREASURY BILL TENDER £97,12

#### 83% FT LONDON INTERBANK FIXING

(11.00 a.m.	March. 7)	Sis months	U.S. dollars	
Three months U.S. dollars		bid 7 7/19	Offer 7 8/18	
bid 77/16	Offer 7 9/18			
The fixing rates to means, rounded to sixteenth, of the bit for \$10m gemed	the nestest one-	five reference beni working day. The Westminster Zent, Beutsche Benk, Be Perle and Morgen (	banka ara Natio Bank ol 70i Ingga Nationala	

eoz

## LONDON MONEY RATES

Mar. 7	night	notice	Month	Menths	Months	Year
Interbank	1278-164	187 <sub>9</sub> 131 <sub>4</sub> 125 <sub>9</sub> 125 <sub>4</sub> 124-125 <sub>4</sub>	12/6 16	11#2-12 to 11#2-11#8 11#3 184 184	118-118 115-118 118 18	1114-1114 1012-114 1114 1112
Company Depos Finence Hise Depos Treasury Blis (Buy) Bank Bills (Buy) Fine Trade Bills (Buy) Silk Linked Depos	12-1816 	181 <sub>8</sub> -181 <sub>4</sub> — — —	1254 1875 1875 1875	104 12 111 <sub>2</sub> 115 <sub>8</sub>	1178 11 11 58 7,35 7,40 718 754 0 018	
ECU nepos	ne-month per tender aforence d ity end fi Houses E eume et 6). Oepo per cent March 7.	112 per di late Fabru nonce House Rete seven day sto £100, 1-12 per nine-12 r Osposite	per cent: 11 secount 11 secount 11 secount 11 secount 13 per s' nolice to 000 and cent they	three-month 5336 per March 4 days' no cent free 6-64 per c over held e-sis mon	cent. EC. (inclusive otice, other m March cent. Certi under on the 112- nt. Under	nn Fixed ): 12.654 ers seven 1 1986 ficeles O' le munti. per cent. £160.00*

March Apr = -8.06 0.40 1.05 Low 93,38 93,62 93,59 93,46 92,30 93,12 92,97 92,82 0.25 4.90 6.10 6.70 7.30 2.85 0.20 1.10 rvious day's open int+ Calls 58,720, Puts 62,111 rvious day's volume+ Calls 1,599, Puts 1,678 LONDON 20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100% High Cow Prev 156.70 156.70 156.20 158.40 157.50 166.15 160.15 ESO,000 32nds of 100%

Close High Low Prev
March 117-29 118-00 116-25 117-00
June 719-00 118-02 117-16 717-28
2ept 119-20 117-16 717-28
Estimated volume 10.229 (11,400)
Previous day's open int. 6,718 (6,946)
Essis quote (clear cash price of 16%
Trestaury 2004-08 less equivalent price of near futures contract) -4 to 4
(32nds) THREE-MONTH EURODOLLAR 15gh 92.53 92.76 92.65 92.44 92.23 92.00 Prev 82.46 92.62 82.56 92.37 91.56 91.17 91.50 Close High Low th 98-52 98-23 98-23 99-08 98-47 nated volume 363 (502) four day's open int, 920 (884) THREE-MONTH STERLING E500,000 points of 100% Close High Closs High Low 88.74 88.03 89.16 89.16 89.16 89.16 89.16 89.83 89.97 89.90 89.90 89.90 ed volume 2.602 (4.125) a day's open int. 11,963 (1.1963) Prev 88.09 89.00 89.47 89.91 89.94 89.97 Close High Low 94-04 94-15 92-12 88-28 94-06 92-00 93-06 92-22 92-22 sted volume 12,696 (14,916)

Calis—Last

March April May June Sept
26.30 — 26.30 — 26.30 —
27.30 — 26.30 1-5
16.30 — 16.30 16.50
17.30 11.30 11.40 11.30 11.50
6.30 6.70 7.00 7.30 8.00
2.20 3.10 4.00 4.30 5.50
0.20 7.50 2.00 2.40 3.80
/s open int: Calis 5,448 Puts 6,56

PHILADELPHIA SE E/S OPTIONS £12,500 (cents per £1)

#### EVOUANCE COOCC DATEC

Mar. 7	£	8	DM	YEN	FFr.	a Fr.	H FI.	Lira	C5	BFr.
£	0.688	1,454	3,255 2,237	261.0 179.0					2.04t 1.407	
11M YEN	0.307 3.831	0,447 6,571	18,46	80,26 1000.			1.161		0.629 7,839	
FFr. SFr.	0.999 0.368	1.453 0.528	3,250 1,101	060.8 94,74		2,758	3,676 1,355		0.044 0.748	
H FL Lira	0.272 0.453	0.395 0.658	0.884 1.473	70,97 118,2		0,749	1.065		0.556 0.986	
C# BFc	0.489	0,711	1,590		4,891					39.50 100,

# **JIFE**

March 0.00 0.00 0.00 0.00 0.14 1.37 4.88

Berck April May June 105 — — 0.20 0.06 — — 0.89 0.05 0.40 0.00 1.35 0.15 1.20 2.00 2.00 1.20 2.80 4.00 6.00 4.30 5.80 7.00 7.70

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